FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

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Willy de Clercq warns of transatlantic trade war, Page 4

World News

US arms control director resigns

Mr Kenneth Adelman, the director of the US Arms Control and Disarmament Agency, announced his resignation yesterday, only days after the White House signalled the likelihood of a superpower summit which would produce an agreement to eliminate all intermediate nuclear weapons. Page 18

Fatal Gulf crash

A US Navy helicopter crashed into the Gulf while trying to land on the command ship La Salle, killing one man and leaving three others missing, the Pentagon announced late last night. Five other men were rescued from the sea.

Reagan in hospital

President Ronald Reagan, aged 76, will enter hospital in Maryland today for treatment on a skin cancer detected in his nose.

Beirut explosion

Two people were killed and two badly injured late last night when an explosion blew-up a car in Moslem west Beirut, about 200 metres from the Swiss and French embassies.

Spycatcher ban

Britain's Law Lords widened the ban that has stopped newspapers publishing allegations of secret service misconduct made by Mr Peter Wright, the former MI5 counterintelligence officer. Page 18

Oslo expels Soviets

Norway asked a second secretary at the Soviet Embassy and two trade delegation members to leave the country for spying. The Kremlin retaliated by expelling a Norwegian diplomat. Oslo said the Soviets had sought sensitive submarine technology. Page 2

Delhi attack

Suspected Sikh separatists shot dead two Hindu leaders and tried to set off two bombs in Delhi in the first attack in the capital for more than a month. Police were put on maximum alert and the army was on standby in Delhi. In Punjab, extremists gunned down two policemen and a Sikh civilian. Page 3

Strike in Haiti

Port-Au-Prince was paralysed by a general strike called to demand the resignation of the ruling junta and to protest against the shooting of 10 anti-government protesters by soldiers. Businesses remained closed and there was no public transportation.

Brazil clampdown

President Jose Sarney of Brazil ordered a clampdown on widespread irregularities and overspending in the country's 466 state sector companies and government agencies. Page 4

OAU summit ends

The Organisation of African Unity ended its summit in Addis Ababa with no substantial conclusions on the continent's crippling debt. The OAU said it would hold a special economic summit in September.

Floods in Bangladesh

At least 50 people have been killed and over one million are cut off by floods devastating much of Bangladesh. Thousands of people were perched on rooftops in remote areas, official reports said.

Tartars warned

About 800 Crimean Tartars campaigning for the return of their homeland were warned they would face legal action if they continued to disrupt public order with their protests, the Soviet news agency, Tass, reported.

French extradition

A French appeal court ruled in favour of extraditing to Italy two suspected members of the Red Brigades guerrilla group.

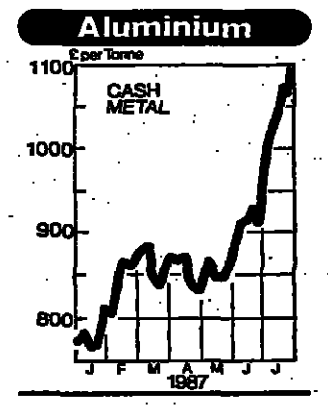
Business Summary

Earnings at Siemens fall 4% to DM 949m

SIEMENS, West German electrical and electronics group, posted a 4 per cent drop in net profits to DM 949m ($513m) in the first nine months of its financial year to September 30. Page 21

DRESDNER BANK, West Germany's second largest commercial bank, saw partial operating profits fall by 25 per cent at parent bank level to DM 378m ($204m) against DM 503m for same period last year. Page 21

ALUMINIUM'S recent strength continued, with metal reaching a 28-month high of £1,097 a tonne on the London Metal Exchange - up £21 on its previous close. The rise was put down to sterling's weakness against the dollar. Commodities, Page 28



WALL STREET: The Dow Jones industrial average closed up 27.90 at 2,567.44. Page 40

TOKYO: Busy trade in high-technology issues offest weakness in large-capitals and financials to extend share price gains. The Nikkei average closed up 83.25 at 24,510.37. Page 40

LONDON: Underlying worries over interest rates and resettlement problems resurfaced to depress prices. The FT-SE 100 Index fell 12.6 to 2,370.5 and the FT Ordinary index lost 12.1 to 1,882.3. Page 40

GOLD rose $1.00 on the London bullion market to close at $459.25. In Zurich it fell to close at $457.05 (457.95). Page 28

DOLLAR closed in New York at DM 1.8550, Y149.50, SFr 1.5370, FFr 6.1660. It fell in London to DM 1.8560 (DM 1.8580); to Y149.55 (Y150.70); to SFr 1.5385 (SFr 1.5390); and to FFr 6.17 (FFr 6.1775). On Bank of England figures the dollar's exchange rate index fell 0.1 to 103.7. Page 29

STERLING fell in London to $1.5945 ($1.6005); to DM 2.96 (DM 2.9725); to Y238.50 (Y241.25); to SFr 2.4525 (SFr 2.4625); and to FFr 9.8375 (FFr 9.8875). The pound's exchange rate index fell 0.2 to 72.3. It closed in New York at $1.5930. Page 29

SWISSAIR booked a "satisfactory" performance for the first half of 1987 in what the airline called a continuation of the upturn in demand which began in summer 1986. Page 21

ELSEVIER, second largest Dutch publisher, will soon discuss with Robert Maxwell, UK publishing magnate, the possibility of a friendly merger or co-operative venture. Page 21

TABACALERA, Spain's profitable state-owned tobacco company, has negotiated a 50 per cent shareholding in Nabisco Brands Espana, Spanish subsidiary of R.J. Reynolds and Nabisco, in its first major move to diversify into the food production sector. Page 21

JAPAN LINES consolidated pre-tax losses for the year to March swelled to Y24.55bn ($162m) from the previous year's loss of Y16.43. Page 29

AFP INVESTMENT Corporation, fast-growing Autralian investment group, has entered another business field by starting a resources company under an agreement with Australian Consolidated Minerals (ACM), a Perth-based gold producer. Page 29

ASAHI GLASS, Japan's comprehensive glass manufacturer, reported a 5.3 per cent drop in its consolidated net profits to Y28.32bn ($187m) on turnover of Y836.45bn, up 2.3 per cent from the previous year. Page 29

Sri Lanka seeks US assistance to back Indian peacekeeping force

BY JOHN ELLIOTT IN COLOMBO AND K.K. SHARMA IN NEW DELHI

INDIA moved a full battallion of 3,000 troops into Sri Lanka yesterday to keep the peace on the Jaffna peninsula between Tamil extremists and the island's security forces.

President Junius Jayawardene of Sri Lanka announced he had asked the US for military assistance and had received a favourable response. He also planned to ask Britain, China and Pakistan for unspecified military help.

India is also believed to have put as many as 6,000 more troops on standby following Wednesday's deal between the two countries aimed at ending Sri Lanka's ethnic crisis.

The resentment and anger which this assertion of India's new influence over Sri Lanka is causing on the island was graphically demonstrated yesterday morning when a sailor in a guard of honour struck Mr Gandhi on the shoulder and neck with his assault rifle.

Mr Gandhi was bruised but otherwise unharmed. However, the incident brought the Indian Parliament in New Delhi to a halt as furious MPs demanded an explanation for the assault.

Mr Gandhi arrived back in New Delhi later yesterday to a hero's welcome by about 3,000 supporters who threw flowers at him at the airport and chanted "Long Live Gandhi."

India's involvement inside Sri Lanka is crucial because the island cannot manage its own internal security under present conditions. Events this week have shown that the island's security forces - totalling 75,800 including police and all support staff - are not adequate to deal both with Tamil extremists in the north and Sinhalese rioters in the south.

Because of this, Mr Jayawardene and Mr Ronnie de Mel, the Finance Minister who was advising him during Wednesday's negotiations, asked Mr Gandhi for Indian troops to be rushed in quickly so that Sri Lankan troops could be released to handle Sinhalese rioters marching on Colombo.

A Sri Lankan sailor hits Rajiv Gandhi with the butt of his rifle as the Indian Prime Minister inspects a guard of honour before leaving Colombo

Although the riots appeared to have been contained yesterday, the capital and other major cities remained tense. A curfew is still in force but will be lifted for four hours today to allow shopping. Last night, censorship was introduced for the Sri Lankan newspapers.

India started airlifting the first 3,000 troops to Jaffna, backed up by supply ships, early yesterday morning. A few of its fleet of 60 transport aircraft were then used to ferry some of the 3,500 to 6,000 Sri Lankan army personnel to Colombo to enforce the curfew and man street barricades.

Differences are already building up between the two countries and relationships will not be easy. Mr J. N. Dixit, Indian High Commissioner in Colombo, said yesterday that the Indian troops in Jaffna were under the direct control of India. He rejected as "mistaken" the claim by Mr Lalith Athulathmudali, Sri Lanka's National Security Minister, that they were under the command of a Sri Lankan general.

Brussels calls the tune in row over instruments

By William Dawkins in Brussels

THE European Commission is being increasingly seen these days as blowing the trumpet for the cause of free competition.

The image became reality yesterday when the Brussels authorities intervened in a clash between Boosey and Hawkes, the British musical instruments maker, and two of the group's dealers.

The Commission ordered B&H to resume supplies to the dealers, cut off after they had tried to set up a separate venture to compete with B&H in its top range of brass band instruments. Commission officials insist that this could be a key Community matter, not least because of growing interest in brass band playing said to be spreading from Britain to Denmark, West Germany and the Benelux countries.

Brussels is meanwhile investigating whether or not B&H used illicitly anti-competitive methods against the joint venture, Luton-based Brass Band Instruments (BBI). The Commission suspects that B&H was none too pleased to discover at the end of last year that the two dealers - Gabriels Horn House of Southsea, on the south coast of England, and RCN of Luton, north of London - were "conspiring" to get a slice of its 85 per cent share of sales Britain's 2,500 brass bands: by far the largest brass band movement in the EC.

The dealers claim that B&H tried to force them - and hence their brass instrument-making venture - out of business by halting supplies. B&H alleges that they were getting late with payments, so that it was acting within its rights.

Even-handed as always, the Commission has ordered B&H to start supplies again until the end of the year, when the joint venture expects to start selling its own instruments. Meanwhile, Gabriels Horn House and RCN must play fair with B&H, says the Commission, and not sell B&H instruments as loss-leaders.

The score will finally be settled under the terms of Article 86 of the Treaty of Rome, which is supposed to stop anybody in a dominant market position from imposing unfair trading conditions or limiting markets against consumers' interests.

Companies which fail to play along with the Commission's eventual rulings on these matters have to face the music at the European Court of Justice in Luxembourg.

US asks for European aid to clear Gulf of mines

BY ANDREW GOWERS, MIDDLE EAST EDITOR, IN LONDON

THE US was yesterday formally seeking assistance from Britain and France in clearing the Gulf of mines, in a concerted effort to involve its European allies more closely in its escort operation for Kuwaiti-owned tankers.

Mr Charles Price, the US ambassador to London, called on Sir Geoffrey Howe, the Foreign Secretary, at his own request yesterday afternoon for talks on the Iran-Iraq war and Gulf shipping issues, including the question of minesweeping, the Foreign Office said.

Mr Andre Giraud, the French Defence Minister, was later due to meet Mr Caspar Weinberger, his US counterpart, in Washington.

British officials said the issue was being given "most serious consideration", and a response may come as soon as today.

The requests raise the possibility that Britain and France may be brought closer to the firing line in any resumption of the so-called "tanker war", in which both Iraq and Iran have attacked neutral shipping in the Gulf.

Britain is widely recognised as having the best minesweeping capacity of any Western power, with 25 mine hunters and 17 minesweepers. However, it has kept a low profile in the Gulf with its Armilla Patrol, which accompanies British-registered tankers as far as Bahrain. This consists of two warships in the waterway at any one time, plus one back-up vessel in the Indian Ocean.

A further sign of closer British involvement came yesterday, with the registration of a Kuwaiti-owned ship, the 26,139-tonne refined products carrier Modhi, in Gibraltar. This entitles it to British naval protection.

It will be difficult for Britain to refuse the American minesweeping request, but the final decision is likely to be taken after consultations involving Mrs Margaret Thatcher, the Prime Minister. Any deployment of British ships to the Middle East could take several weeks.

Mr Mir-Hussein Mousavi, Iran's Prime Minister, yesterday underlined the threat of a "tanker war" by warning the US, Britain and France not to "pose any more challenges in the region".

Kuwait also showed the seriousness with which it views recent Iranian threats yesterday by appealing to the UN Secretary-General for unspecified help in countering them.

France is already embroiled in a serious dilpomatic row with Iran, and sent a naval squadron to the Middle East yesterday in a show of strength.

West Germany has turned down a US request for assistance with minesweeping, on the grounds that its constitution does not permit use of its ships outside the Nato area.

The US has been concerned about the threat from mines since last Friday, when the reflagged Kuwaiti supertanker Bridgeton, sailing with a US naval escort, was seriously damaged by a mine in a deep water channel.

But it has only three minesweepers, all of which are in the US, and the eight minesweeping helicopters, which it sent to the region earlier this week, are not thought to provide a completely satisfactory solution.

The Bridgeton, currently moored off Kuwait, is likely to start its return voyage down the Gulf on Sunday, after loading a partial cargo of oil.

Reagan and Senate set for budget clash

BY STEWART FLEMING, US EDITOR IN WASHINGTON

THE US Senate appeared to be moving yesterday towards a legislative package which would force a confrontation with President Reagan on fiscal priorities.

The package, if enacted, would mean a return to the mandatory deficit reduction process of the Gramm-Rudman Hollings budget reform law. The President would either have to accept a tax increase or make defence spending cuts to reduce the fiscal deficit.

But there were doubts last night whether, even if the Senate passed the package, it would be agreed by a House-Senate conference committee. The President would then have the option of vetoing the legislation and sticking with the current system.

Congressional negotiations on the budget have been taking place in the context of the need to pass legislation to increase the federal debt ceiling for the next year. The ceiling was extended for a week on Wednesday.

At the same time, the White House postponed the announcement of its revised economic projections for 1987 and 1988 on which budget estimates are based.

It is understood that the Administration was planning to revise down its forecast for the growth of real gross national product for 1988 to 3.5 per cent compared with its January projection of 3.7 per cent. This would make it more difficult to reduce the deficit for next fiscal year.

The 1987 forecast, also comparing the fourth quarter of each year, is expected to remain unchanged at 3.2 per cent, despite signs of a stronger performance in recent months, suggesting that the Administration expects slower growth in the second half of the year.

Separately, the Commerce Department confirmed yesterday that the economy appears to have picked up some momentum in the early summer. It reported that the composite index of leading economic indicators, an index designed to predict the direction of economic activity in the months ahead, rose 0.8 per cent in June, a stronger increase than many private economists had been anticpating.

On Capitol Hill Congressional staff said that that the Senate budget committee had agreed on a formula for reviving the 1985 Gramm-Rudman-Hollings

Continued on Page 18

Standard Chartered will sell stake in South African bank

BY JIM JONES IN JOHANNESBURG AND HUGO DIXON IN LONDON

STANDARD CHARTERED, the UK-based international bank, is negotiating to sell its 39 per cent interest in Standard Bank Investment Corporation, South Africa's largest bank, according to an announcement in Johannesburg yesterday. Stanbic is the last foreign-controlled bank in South Africa.

Yesterday's announcement, which accompanied the suspension of trading in Stanbic's shares on the Johannesburg Stock Exchange (JSE), said that trading would only resume on Wednesday next, August 5.

Based on Stanbic's pre-suspension price of R21 ($6.36) a share, Standard Chartered's interest in the South African bank is worth about R600m, equivalent to about $182m, which would make the divestment the largest ever.

Last November, Barclays Bank sold its 40.4 per cent in Barclays National Bank for R527m after pressure from anti-apartheid activists. The price represented about a 20 per cent discount to market value of the shares.

Following Barclays' move, Standard Chartered said it had no intention of reducing its stake in Stanbic. At the time, insiders argued it was a "poison pill" and might deter Lloyds Bank, which unsuccessfully bid for Standard Chartered last year, from bidding again.

First Chicago, the 11th largest US banking group, is to restructure its international operations, closing a number of overseas offices in a move aimed at improving financial returns and redirecting its business away from traditional lending. Barclays, Britain's second largest clearing bank, announced first-half pre-tax loss of £46m, result of making provisions of £570m against Third World and other countries. Page 18

The provision all international banks are making against their loans to the Third World has weakened this argument for two reasons. Lloyds no longer has spare capital to bid with, and Standard Chartered, which is also heavily exposed to the Third World, may find it attractive to boost its capital by selling its South African stake.

In London, Standard Chartered said it had no further comment on its statement last week that it was reviewing its stake in Stanbic. It confirmed, however, that Liberty Life, the South African insurance company, has "a first option on anything we sell."

Mr Donald Gordon, the chief executive of Liberty Life, which already owns 22 per cent of Standard equity, said in London a few weeks ago that his company also had the right to say to whom Standard Chartered's stake could be sold. South Africa's Bank Act prohibits any one group or groups acting in concert from owning more than 30 per cent of a local bank, unless special dispensation is given.

Johannesburg banking analysts expect Liberty Life to take up a further 8 per cent of Stanbic's shares and to nominate Rembrandt, the tobacco and liquor conglomerate, to take another large interest. Mr Gordon and Dr Anton Rupert, Rembrandt's chairman, are close friends and business associates.

Liberty is South Africa's third largest insurance group. Old Mutual, the country's largest insurer, owns about 18 per cent of Stanbic and also controls Nedbank, South Affica's third largest bank. Rembrandt owns almost 30 per cent of Volkskas, the country's fourth largest bank.

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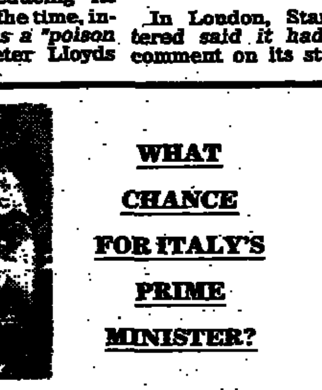


WHAT CHANCE FOR ITALY'S PRIME MINISTER?

Giovanni Goria faces a very curtailed honeymoon period as he takes the oath of office. Page 18

EUROPEAN NEWS

US-SOVIET TALKS

Shultz, Shevardnadze to meet on September 15

BY PATRICK COCKBURN IN MOSCOW

MR GEORGE SHULTZ, the US Secretary of State, and Mr Eduard Shevardnadze, the Soviet Foreign Minister, will meet in Washington on September 15, the White House announced yesterday.

The one-sentence announcement from the White House said the meeting would continue until September 17 but did not disclose an agenda.

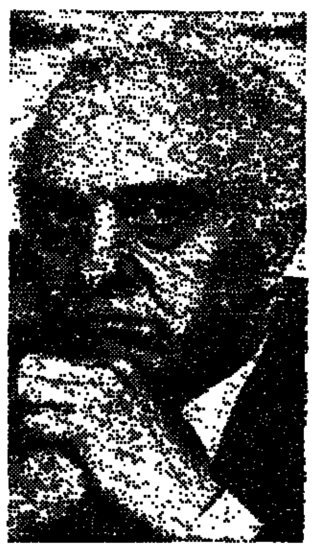
In Moscow, Mr Gennady Gerasimov, the Soviet foreign ministry spokesman, said the two ministers would discuss prospects for a Soviet-US summit meeting.

The Soviet Union insists, however, that there can be no summit unless the superpowers first agree a substantive measure of nuclear arms control.

The Soviet spokesman said Mr Shevardnadze would discuss all aspects of US-Soviet relations "and that includes the prospects for a summit meeting."

The White House announced on Monday that Mr Shultz and Mr Shevardnadze would meet while the UN General Assembly was in sesion in New York in September, but gave no precise date.

In a letter from Mr Shevardnadze to Mr Shultz outlining the Soviet agenda for the meeting Mr Gerasimov said that the talks "should give an impulse to movement on all the more basic directions of Soviet-American relations."


Eduard Shevardnadze: to discuss summit

The main obstacle to an agreement to abolish medium- and shorter-range nuclear weapons is the presence of 72 Pershing 1A shorter-range nuclear missiles in West Germany of which the warheads are controlled by the US and missiles by the West German armed forces.

Mr Gerasimov said yesterday that the Soviet Union had no objection to the West Germans retaining the rockets but that any agreement with the US on the abolition of shorter-range nuclear weapons must include the US-controlled nuclear warheads fitted to them.

Last week Mr Mikhail Gorbachev, the Soviet leader, removed one of the principal remaining obstacles to an agreement with the US by dropping his previous demand that the Soviet Union retain medium-range nuclear missiles with 100 warheads in Asia.

The willingness of Moscow to make concessions in pursuit of an agreement on medium and shorter range nuclear missiles is explained by the belief that a treaty abolishing them will make it extremely difficult in future for a US government to win congressional or popular backing for new weapons programmes.

The first two summits between Mr Gorbachev and President Ronald Reagan in Geneva in 1985 and in Reykjavik in 1986 produced no agreements on arms control but were seen by Moscow as producing a less antagonistic relationship with Washington.

Nato supreme commander backs double-zero option

BY WILLIAM DAWKINS IN BRUSSELS

GENERAL JOHN GALVIN, the North Atlantic Treaty Organisation's new Supreme Allied Commander in Europe, yesterday gave qualified support to efforts to scrap all categories of intermediate range nuclear missiles being worked out by the US and the Soviet Union in Geneva.

He said Nato's strategy of flexible response — the controlled escalation of force in the event of a conflict—would still be valid if the so-called double-zero option was adopted. However, Gen Galvin stressed that Nato's remaining conventional and battlefield nuclear weapons needed "buttressing" to avoid "a higher risk than we in the West should accept."

Gen Galvin's remarks, his first public statement since taking over the job a month ago, stand in marked contrast to the open criticism of the double-zero option made by Gen Bernard Rogers, his predecessor. They were seen by Nato officials as an attempt to end the tension between Nato governments' political will for a double-zero agreement and military leaders' worries over the practical consequences of such an accord.

Gen Rogers said on his retirement that the threat to the credibility of Nato's strategy of flexible response posed by the zero-zero option gave him "gas pains." His worry, shared at first by the European allies was that Nato would have to face the Soviet Union's superiority in conventional weapons with nothing in the alliance's armoury between battlefield nuclear weapons and long-range intercontinental missiles.

Gen Galvin explained that by buttressing, he meant improving and modernising the "presence of missiles, aircraft and artillery that can deliver nuclear warheads," as well as strengthening conventional forces. Gen Galvin has over the past month visited defence leaders and government officials in Paris, Brussels and Bonn to gather reactions to his plans and discuss how to put them into effect. He intends to visit the other Nato capitals within the next few months.

While the elimination of US land-based intermediate range nuclear forces "would not invalidate our flexible response strategy, we must be careful that Nato does not lose a credible capability for launching effective theatre-based nuclear strikes deep into the Warsaw Pact, including the territory of the Soviet Union," he said.

Gen Galvin added that Nato should not discuss any cuts in battlefield nuclear weapons after the completion of the present round of talks in Geneva until it had resolved with the Soviet Union more important arms controls issues, such as the imbalance in conventional and chemical weapons and strategic nuclear forces.

He denied that he was taking a less critical line that Gen Rogers on the double-zero proposals. The point at issue had changed with the passage of time from whether the Nato military establishment liked the prospect of such an accord to whether it could be made to work.

Greece and US announce talks date for bases

By Andriana Ierodiaconou in Athens

GREECE and the US yesterday declared their recently troubled relations to be back on an even keel and said talks on the future of the four US military bases beyond 1988 would start in September in Athens.

The announcements were made at the end of a two-day visit to Athens by Mr Michael Armacost, US Under Secretary of State for Political Affairs.

The talks will start with a meeting on September 4 between the Greek Foreign Minister, Mr Karolos Papoulias, and the US ambassador to Athens, Mr Robert Keeley, which will cover procedural aspects of the negotiations. The present agreement expires in 1988.

The Greek side stressed that it would link the negotiation to US policy on the Cyprus problem and the Greek-Turkish conflict in the Aegean. However, Mr Armacost indicated at a press conference before his departure that such a linkage was regarded as problematic by the American side.

"It is difficult to relate issues like Cyprus to the bases because they involve other countries," he said.

By contrast, Mr Armacost was unexpectedly positive about the Greek socialist Government's stated intention to submit a new bases agreement to a referendum before it was initialled.

"We are ourselves familiar with ratification procedures. We are aware that agreements like this are durable to the extent that they enjoy the support of both peoples," Mr Armacost said.

Talks on the bases were due to start at the end of June but were put off by the Greek side following press reports alleging that Washington has accused Athens in a June 25 demarche of dealing with the Abu Nidal terrorist group.

The crisis was defused after Mr Armacost stated in writing that no such accusations had been made. The US official affirmed yesterday that Washington felt "quite pleased" at the way co-operation with Greece against terrorism has proceeded over the past two years.

Soviet spacecraft returns

A SOVIET spacecraft returned to Earth yesterday with Syria's first spaceman and two Soviet cosmonauts, one of whom ended almost six months in space to undergo tests for a heart problem, Reuter reports from Moscow.

The official news agency Tass said the descent module of Soyuz TM-2 landed about 140 km northeast of the town of Arkalyk in the Soviet Central Asian republic of Kazakhstan.

Tass said Syrian Air Force pilot Lieutenant-Colonel Mohammed Faris, his mission commander Alexander Viktorenko and flight engineer Alexander Laveikin were feeling well after the landing, which followed almost six days on the orbiting station Mir.

However, Moscow Radio said Laveikin, 35, who had been on board Mir since February 8, had returned to Earth with Faris and Viktorenko for medical tests because of a heart problem.

"At the recommendation of doctors, Alexander Laveikin was returned to Earth for a detailed examination of his cardiovascular system," Moscow Radio said.

Deputy mission director Viktor Blagov said last week there had been changes in Laveikin's cardiographic readings and although he was not ill, he was being replaced because the next manned flight to Mir was not due before early 1988.

Laveikin's place on Mir, which is planned to become the centre of the world's first permanently manned orbiting complex, has been taken by 44-year-old Soviet cosmonaut Alexander Alexandrov.

France plans income tax cuts of FFr 8bn

BY GEORGE GRAHAM IN PARIS

FRANCE plans income tax cuts of at least FFr 8bn (£808m) next year to bring its total tax reductions to more than FFr 60bn in two years.

The French finance ministry has completed its decisions on government spending for next year and has succeeded in sticking to its budget deficit target of FFr 115bn.

Details of the tax cuts in the 1988 budget have yet to be finalised, but are expected to include a fall of at least 4 percentage points in income tax rates.

The cuts in taxes are, however, offset by special levies to fill next year's FFr 33.6bn deficit in the social security budget, which is separate from the general government budget.

Finance ministry officials point out that after FFr 29.7bn of tax cuts in the budget for 1987 there have been a further FFr 6bn of corporate tax cuts this spring and FFr 17.1bn of cuts, mostly benefiting companies, already voted for 1988.

Besides cutting taxes, the finance ministry says it has managed to reduce the budget deficit from FFr152bn in 1985, before the current government took office, to a projected FFr 129bn this year and FFr 115bn in 1988.

Mr Edouard Balladur, the Finance Minister, hopes to reduce the deficit by a further FFr15bn a year in 1989 to 1991.

The main thrusts of government spending increases next year will go on employment, research and development aid. France is the first country to include in its budget the funds needed for the tripling of the International Monetary Fund Structural Adjustment Facility to $9bn proposed by Mr Michel Camdessus, IMF managing director.

Officials said the French budget deficit will have been cut from 3.3 per cent of gross domestic product in 1985 to 2.1 per cent in 1988.

On the receipts side of the budget, income from the privatisation of state sector companies has been running much higher than expected, and most of the FFr 52bn already raised this year will be used for reducing government debt.

Mr Balladur appears to have shifted his position on the use of privatisation receipts and now plans to devote less than the one third originally expected to improving the capital base of companies that remain in the state sector.

Responding to reports in the newspaper Le Monde that the Government was now studying a major capital restructuring of Renault, the state car maker, Mr Balladur said that figures had not yet been discussed.

Mr Balladur, who met Mr Raymond Levy, chairman of Renault, earlier this week, said that he regarded a change in Renault's legal status to that of a normal industrial company as an essential condition for the restructuring of the car group's balance sheet, burdened by FFr 54bn of debt. The two are due to meet again in September.

A bill to accomplish this change could be introduced in the autumn session of parliament, but the finance minister said that he had as yet seen not even the shadow of a text for such a bill. He added that a change in the legal status of Renault would not necessarily be a prelude to privatisation.

EC financing plans agreed apart from Britain's rebate

BY TIM DICKSON IN BRUSSELS

THE EUROPEAN Commission has agreed almost all the major decisions relating to the proposed future financing of the Community, Mr Henning Christophersen, the budget commissioner, said yesterday.

Apart from the sensitive question of how Britain's budget rebate will be calculated under the new system, which has yet to be formally approved by the 17 commissioners, the main ideas outlined by Mr Jacques Delors, the commission president, in February are ready for discussion by governments when political negotiations start in September.

Much of Mr Christophersen's thunder had been stolen by Mr Frans Andriessen, the agriculture commissioner, who on Wednesday unveiled the commission's thinking on "budget stabilisers"—the mechanism devised to keep agricultural spending under control.

Mr Christophersen announced that two documents—on budget discipline and the new system of own resources—had been approved and would be forwarded to the council for adoption if all goes well at the Copenhagen summit in December. The new system will be applied retroactively to the 1988 budget year.

The broad outlines of what was announced by the commission in February has not been changed. In future EC resources will be made up of customs duties, plus 1 per cent of the Community's VAT base, and a new tax or levy on the difference between a member state's gross national product and VAT base.

The aim is to introduce a system which better reflects the ability of the 12 EC countries to pay. The original plan to change the way in which the VAT base is calculated has been scrapped and while the overall ceiling on GNP contributions has been fixed at 1.4 per cent (with graduated steps starting at 1.2 per cent in 1988), the commission is only requesting 1.3 per cent of GNP by 1992. It had been assumed that the full 1.4 per cent would be reached by this date.

The key issue in the negotiations with member states, notably with Britain, will be plans to improve budget discipline. Although there was a large measure of agreement with the commission's ideas at the June summit, Britain made it clear that its willingness to advance more money to Brussels is conditional on better budgetary control.

Mr Christophersen emphasised that the new plans were designed to ensure that budget negotiations did not result in the building up of large commitments to projects in future years (the so-called "burden of the past" which has contributed to the current budgetary mess).

The Commission's paper also sets out the principle of a monetary reserve which would be created when currency changes (notably increases in the value of the dollar beyond community expectations) produce a windfall for the budget.

W German engineering orders down

By Andrew Fisher in Frankfurt

WEST GERMANY'S mechanical engineering industry suffered a sharp drop in both foreign and domestic orders in June.

New foreign orders were down by a real 16 per cent compared with June 1986, a trend which began when the dollar slide last year hit German exports by making them more expensive. The industry is concerned, however, at the persistent weakness of domestic orders, which were 10 per cent lower on a price-adjusted basis last month.

As the export outlook has worsened, German companies have put off much of their planned investment spending. The drop in total orders was 13 per cent.

At the industry association (VDMA), which announced the figures, the expectation is that the latest currency stability will cause companies to revive their investment plans. The dollar has firmed against the D-mark in recent weeks.

Moscow orders courts overhaul

THE SOVIET authorities have ordered the Justice Ministry and local councils to overhaul the legal system following official revelations of miscarriages of justice, Reuter reports from Moscow.

The government newspaper, Izvestia, reported yesterday that a recent meeting of the Presidium of the Supreme Soviet noted that reform of the legal system was proceeding too slowly. It ordered the ministry and councils to take urgent measures to protect citizens, - the newspaper reported.

The presidium said it was concerned because many citizens did not know their rights. Legal consultations, if they were available at all, were often given by poorly qualified lawyers.

The overhaul follows revelations that people have been punished for crimes they did not commit. In the worst reported case, 14 innocent people were apparently sentenced to death in the Byelorussian city of Vitebsk.

Dublin acts on taxes of self-employed

BY HUGH CARNEGY IN DUBLIN

IRISH farmers and the self-employed will have to make income-related social insurance payments for the first time next year in a move y Mr Charles Haughey's government to address a long-standing grievance of pay-as-you-earn workers.

The country's 850,000 PAYE employees ear the brunt of the personal tax burden. According to trade union figures, they pay on average 26 (Irish) pence in the pound in direct taxation compared with 11 pence for the self-employed and 6 pence for farmers.

In addition, PAYE workers pay between 3 per cent and 5.5 per cent of income into the Pay Related Social Insurance scheme. Meanwhile most of I£330m paid y the state in non-contriutory pensions last year went to farmers and the self-employed who were exempt from PRSI payments.

Dr Michael Woods, the Environment Minister, said the 250,000 people effected y the extension of PSRI would probably pay at a rate of about 3 per cent of income and this would raise more than I£50m a year towards the expensive social welfare system. Non-contributory pensions would eventually be phased out.

The move enhances the chances of agreement on an economic recovery programme, covering pay rates, under negotiation between the government and the Irish Congress of Trades Unions. Measures to achieve a more equal tax and social welfare system are among the key elements sought by the unions.

Long-running differences within Warsaw Pact become public

BY LESLIE COLITT IN BERLIN

LONG-SUPPRESSED grievances among the Warsaw Pact allies have spilled out into the open this summer.

Poland recently complained bitterly to Hungary over "particularly nasty" treatment of Polish tourists by Hungarian customs officials and the imposition of a customs fee in hard currency on products taken into Hungary by Poles.

The measure was introduced to halt a massive illegal sale by Poles of consumer goods, dollars, and even gold to Hungarians.

Last week, Hungary "temporarily" suspended the fee, pending negotiations.

It noted, however, that Polish visitors have illegally sold goods in Hungary to the tune of Forints 130m in the first half of the year, double the amount in all of 1986.

Simultaneously, Poland charged that Czechoslovakia had failed to pay damages for earlier oil spills which contaminated the Odra River on Polish territory.

Mr Marian Orzechowski, Poland's Foreign Minister, was asked in a Polish newspaper interview last week when bilateral "conflicts" between Poland and East Germany, as well as Poland and Czechoslovakia, could be openly written about.

Mr Orzechowski said that all the countries of Eastern Europe were learning to be more open about their differences. He noted that Hungary's action against Polish visitors had "offended" the principles of relations between "fraternal socialist countries."

The Polish Foreign Minister was also asked about East Germany's growing interest in its Prussian past, to which he replied that Poland was not very happy with an East German biography of Chancellor Otto von Bismarck, which contained anti-Polish references.

In a discussion on these growing signs of friction, Radio Warsaw's German language service said last Sunday that the nations of Eastern Europe were searching for their "national identity" and were expressing it "ever more strongly."

An explanation offered for this phenomenon by East Europeans is that it is a by-product of a more laissez-faire attitude towards Eastern Europe by the Soviet leader, Mr Mikhail Gorbachev.

They note that under the late Mr Leonid Brezhnev East European countries were so absorbed by Moscow's continual political intervention in their affairs that the conflicts among them remained suppressed.

By far the most serious conflict, which erupted into the open earlier this year, is between Hungary and Romania over the alleged discrimination against the 1.7m ethnic Hungarians in Romania.

Mr Nicolae Ceausescu, Romania's leader, last March accused Hungary of reviving "fascist, chauvinist, and racist theses."

Norway and Soviet Union in tit-for-tat expulsions row

NORWAY said yesterday it had been involved in "tit-for-tat" diplomatic expulsions with Moscow and that the Soviet Union had sought sensitive submarine technology, Reuter reports from Oslo.

Foreign Minister Thorvald Stoltenberg said Norway had asked a second secretary at the Soviet Embassy and two trade delegation members to leave the country for spying. The Kremlin had retaliated by expelling a Norwegian diplomat.

"We cannot accept that illegal intelligence activities should be carried out in Norwegian territory," he said.

But he said Norway had accepted a Moscow proposal for Soviet Prime Minister Nikolai Ryzhkov to visit Oslo next January. Good relations between Nato member Norway and the neighbouring Soviet Union should continue, he added.

Mr Stoltenberg said the expulsions were not linked to recent illegal sales of sensitive technology to the Soviet Union by arms maker Kongsberg Vaapenfabrikk, which helped Moscow make almost silent submarine propellers and sparked outrage in the US Congress.

But the Justice Ministry, which co-ordinated investigations into the Soviet officials' activities with the intelligence services, said they had been trying to obtain equipment for use in submarine technology, as well as in other areas.

"All those expelled are considered to be KGB officers under diplomatic cover," Justice Minister Helen Boesterud said in a statement.

The statement said the Russians had approached small companies involved in underwater technology, including the field of hydro-acoustics – which is related to submarine detection.

Their shopping list during the three years they were active also included computer software and hardware, fibre optical equipment and oil-related offshore technology – much of which would have been illegal to export under Western restrictions, just as the Kongsberg equipment was.

They had also tried to recruit Norwegian nationals and lure them to clandestine meetings in third countries, the statement said.

"But they were in no way connected with the investigation into Kongsberg," it said.

The three would be asked to leave within the next two weeks, Foreign Ministry officials said. A former member of the Soviet trade delegation in Oslo had also been accused of spying and had been told he could not return to Norway, they added.

The Norwegian diplomat expelled, Mr Rune Aasheim, had already left the Soviet Union and was on holiday in Norway, Mr Stoltenberg said.

Another Norwegian diplomat who had been employed at the Moscow embassy, Mr Aage Grutle, had been declared "persona non grata" in the Soviet Union. Mr Grutle had returned to work in the Foreign Ministry some months ago.

Paris rejects Iranian weapons claim

FRANCE rejected yesterday Iranian charges that it was a principal supplier of chemical weapons to Iraq, Reuter reports from Geneva.

The French delegation to the 40-nation disarmament conference said the accusations by Iranian Foreign Minister Ali Akbar Velayati on Tuesday were malicious insinuations without foundation.

France recently broke diplomatic relations with Iran because of its refusal to hand over a translator for questioning over bomb attacks in Paris last September.

US ambassador Max Friedersdorf also rejected Mr Velayati's statement to the conference that Washington condoned Iraq's use of chemical weapons in the seven-year-old Gulf war.

Addressing the conference, he noted that Mr Velayati had referred to a recent attack on the Iranian western border town of Sardasht during which it said Iraq used poisonous gas.

New Portuguese government due by mid-August

PORTUGAL SHOULD have a new government by about August 15, shortly after completion of the lengthy bureaucratic process of checking and publishing in the official bulletin the full results of the July 19 general election.

The final tally of votes, including those of about 50,000 Portuguese emigrants living abroad, whose community is entitled to four parliamentary deputies, gives the Social Democrats of Prof Anibal Cavaco Silva 148 seats (145 plus three emigrant-elected deputies), the runner-up Socialists 60 (59 plus one emigrant-elected deputy), the Communists 31, the Democratic Renewal Party of ex-President Antonio Ramalho Eanes 7, and the Christian Democrat CDS four.

Andrew Fisher on reaction to the frenzied nationalism brought to the Davis Cup contest by the US players

Mac the Brat wakes the patriot in the German breast

WEST GERMANS, still somewhat in the shadow of history, usually keep their nationalist feelings under wraps. Living in the capitalist half of a divided nation, their patriotic profile tends to be subdued and they often show little sense of confidence about their world role or their ability to have a controlling say in their destiny.

On both sides of the east-west border, sport looms large. As an outlet for patriotism, it is clearly preferable to waging war. Except, it would now appear, when tennis, once the most decorous of sports, is concerned.

In the age of Boris Becker and Steffi Graf, tennis has touched new heights of popularity in Germany. So the emotionally loaded gladiator-like contests during the recent Davis Cup survival round with the US stirred feelings that went beyond the usual sporting fervour.

That may well not have been the case, or at least not so much, if the cheering US fans in the Hartford, Connecticut, stadium had not been so blatantly goaded into a frenzy by the US players themselves, notably John McEnroe, whose behaviour inflamed many German TV viewers.

In the end, Germany won and got its hero back, as an even more robust-looking Becker—having put his ignominious second-round Wimbledon defeat behind him—took out first McEnroe and then Tim Mayotte in marathon cliff-hangers. So the US slipped out of the top group into the provincial round and Germany stayed in.

Normally, Davis Cup matches do not stir much more than a flicker of interest among the public. But the events of last weekend will remain deeply imprinted on the memories of those who watched them.

Once the struggle was over, the press reaction ranged from the pained to the outraged. Raising German hackles was the way in which McEnroe, especially when things started looking tough, constantly held up his arms during his matches to bring down a wave of partisan cheering. Mayotte, normally more restrained, did the same when playing Becker in the final match.

As Becker said afterwards, it was not the behaviour of the 12,000 American fans that disturbed him. That was normal. "I am disappointed with the American players," he told Bild, the garish German daily newspaper. "McEnroe, Mayotte and the players on the bench made their fans wild and fanatic. It was psycho-terror of the worst kind."

Sniffed Frankfurter Allgemeine Zeitung, the austerely serious newspaper: "That was not the decent way."

The livelier Frankfurter Rundschau was more poignant in an opinion piece called "Bazillus Chauvinismus." Heroes were still sought in Ronald Reagan's America, it wrote, making no mention of Oliver North but recalling the patriotic direction of the Olympic Games in Los Angeles three years ago. "So the demon called chauvinism was only celebrating its rebirth in Hartford."

Since Germany emerged the victor, resentment is likely to die down quite quickly. What will remain will be the sight of the rampant Becker, who had already beaten McEnroe in a match lasting just over six-and-a-half hours, inexorably reeling in Mayotte to deliver the knock-out blow both to the US player and to US hopes of staying in the elite world Davis Cup group.

It was in that final match that the behaviour of the US players seemed to sink to new depths, ld inevitably by the unlovely McEnroe. Mayotte adopted the same arm-raising tactics that McEnroe had also used to put Eric Jelen off his stride. Jelen, hardly known internationally, had beaten Mayotte in the first match, but McEnroe was determined not to be defeated by both Becker and his colleague.

It was Jelen who grasped the fact in Becker's last set against an ever stronger-looking Mayotte that the German player also needed more support from the crowd. So as the match went on, he and the other German players abandoned their bemused restraint and started gesturing the small number of Germans in the crowd into louder and more visible encouragement.

It worked, and Becker finished off Mayotte in nail-biting fashion. He then grabbed a large German flag and ran with it around the arena. After what had gone before, it was an action which seemed natural. But without the US players' previous provocation, it could well have seemed provocative in itself.

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OVERSEAS NEWS

Sikh terrorists kill two Hindu political leaders

BY K. K. SHARMA IN NEW DELHI

A CAMPAIGN of violence by Sikh terrorists resumed in the Indian capital of New Delhi yesterday when two Hindu politicians were shot and killed in the fashionable southern residential area of Kalkaji in two separate dawn attacks.

Police said that two time bombs were also discovered in a suitcase at Delhi railway sation and defused shortly before they were due to explode.

Mr Hasraj Sethi, a member of the Delhi metropolitan council, and Mr Sudarshan Munjal, the brother of a prominent Hindu politician, were killed by terrorists on scooters and motorcycles which were later found abandoned. Both men were leaders of the Hindu revivalist Bharatiya Janata Party which opposes Sikh demands for a homeland.

Responsibility for the killings has been claimed by Bhindranwale Tiger Force, a Sikh terrorist group which left a note at Mr Munjal's house. Police sounded a maximum security alert and launched a manhunt after closing Delhi's borders with neighbouring states. Police claimed to have identified at least one of the assassins.

Meanwhile, in the Punjab, two extremists shot dead a police constable and injured a head constable before fleeing on scooters.

The killings in New Delhi represent a further warning that Sikhs will continue to take their campaign outside the Punjab. Three weeks ago, 72 Hindus were killed in two bus attacks in Haryana state, and just two months ago, 14 Hindus were killed in four incidents in New Delhi.

The terrorist attacks may be intended to provoke a Hindu backlash aimed at provoking Sikhs resident in towns all over India to migrate to Punjab, forming a Sikh homeland named Khalistan, and compel Hindus to leave Punjab for other states.

There was a smal outbreak of Hindu rioting in New Delhi yesterday and some Sikhs were attacked, but no loss of life was reported.

Japan set to stiffen export penalties

BY BOB KING IN TOKYO

THE JAPANESE cabinet will today almost certainly approve and send to the Diet measures to stiffen the penalties for exporting sensitive products to Eastern bloc countries.

Under the new measures which have been expected for some time companies which export sensitive goods or technology without the proper licences will face gaol terms of five years compared with the current three years. The Statute of Limitations for such offences will at the same time be raised to five years instead of the current three years.

Companies found to have illegally exported such goods or technology will under the revised rules be barred from further Cocom related exports for three years, rather than the current one year. Monetary penalties for all offences have also been roughly doubled

The changes also provide a legal basis for consultation between the ministers of international trade and industry, and of foreign affairs. This newly added clause allows either minister to seek the advice of the other on applications for export of Cocom related goods or services.

Soldier sought on charge of killing Karami

INVESTIGATORS issued an arrest warrant for a Lebanese army soldier yesterday on charges of killing Prime Minister Rashid Karami and attempting to kill Interior Minister Abdallah Rassi, Reuter reports from Beirut.

Local radio stations said the soldier, identified as Elie Louis Salibi, was a technician at Adma air base in the Christian enclave northeast of Beirut.

Mr Karami, a Moslem, was killed on June 1 when a bomb exploded on an army helicopter based at Adma. Mr Rassi, one of 13 other passengers, was slightly injured.

The radios said Salibi, a Maronite Christian from the town of Ghazir, left Lebanon secretly immediately after the murder and that investigations were under way to determine his whereabouts.

Central bank chief named in Marcos suit

THE Philippine central bank governor, Mr Jose Fernandez was among 32 people named when the Government filed six new charges of ill-gotten wealth yesterday against ousted President Ferdinand Marcos.

The latest civil suits also named Mr Jaime Laya, a former central bank governor.

The suits ask for $15bn in damages against Mr Marcos, his wife, Imelda, and associates.

Mr Fernandez took over the post of central bank governor in 1984. President Corazon Aquino reappointed him when she took power in February 1986.

The suits bring to $87bn the damages being sought by the Government from more than 1[illegible] people, including Mr Marcos, his family and business associates.

Oil plant workers strike

BY JIM JONES

ABOUT 5,000 employees at the Sasol oil-from-coal plant in South Africa have come out on strike over a wage claim after police used tear gas and rubber bullets to break up meetings in the state-controlled company's hostel, according to the Chemical Workers' Industrial Union.

Sasol's Secunda plant provides nearly all the petrol used in the Transvaal and Orange Free State as well as in the northern parts of the Cape Province.

The company's management says production has not been affected and claims that many employees were intimidated into staying away from work. The strike began after Sasol raised wages by 21 per cent after failing to agree on increases with the union.

At Impala's Platinum's Springs refinery all 1,30[illegible] strikers returned to work yesterday.

Morocco suffers first net exchange outflow

BY FRANCIS GHILES

MOROCCO for the first time suffered a net outflow of foreign exchange in 1986.

Despite rescheduling 12.7bn dirhams of its foreign debt, which is estimated to amount to $16.5bn, at favourable conditions, interest and principal repayments nearly trebled to DH 2.9bn (£210m). This led to a net outflow of more than DH 2.6bn; in 1985, the net inflow amounted to just over DH 1bn.

Mr Ahmed Bennani, governor of Bank Al Maghrib, the country's central bank, in his annual report to King Hassan, warns against liberalising trade too fast. Morocco is pursuing this policy at the behest of the International Monetary Fund and the World Bank, which have advanced more than $1.5bn in the past few years to help the country restructure its economy.

Mr Bennani adds that the full impact of the halving of the oil import bill was not reflected in the trade figures as the volume of imported consumer goods increased rapidly.

Terms of trade deteriorated for the second successive year in other sectors such as fruit and vegetables, leather and textiles where Moroccan exports have been progressing steadily in recent years. Despite heavy recourse to domestic savings and more monetary measures price increases were held to 8.8 per cent.

This achievement is even greater if set against the 43.1 per cent cut in the cost of subsidies on staple foodstuffs and cereals which led to a number of price increases. Such subsidies amounted to 1 per cent of gross domestic product at the end of the year. Meanwhile the budget deficit was cut from 8.9 to 5.6 per cent of GDP last year.

However, the constraint on state spending explains why the private sector accounted for 72 per cent of all investment, with D 2.25bn. Foreign investment doubled to Dr881m.

Plentiful rain however, boosted agricultural output, allowing GDP to grow by 5.8 per cent. This was 1.4 per cent more than in 1985 and the best performance for many years.

S African bomb attack injures 70

By Jim Jones in Johannesburg

MORE THAN 70 people were injured in South Africa yesterday when a car bomb exploded near the army's Witwatersrand Command headquarters in Johannesburg.

The bomb caused extensive damage to the headquarters and neighbouring shops, cinemas and office buildings. The Red Cross, whose offices were damaged by the blast, said that no one had been killed. No one has claimed responsibility for the explosion, but Mr Adriaan Vlok, Minister for Law and Order, blamed the outlawed African National Congress. In Lusaka the ANC said it would make a statement later.

President Botha described the blast as "a dastardly and callous act." Police reports said the bomb was as large as the ones which exploded outside Johannesburg's magistrates' court on May 20 killing four policemen and injuring 15 people.

Yesterday's explosion was in a busy part of the city near a black bus depot and at the rear of a cinema showing a children's matinee programme. The area is racially integrated and about half of the people injured were white.

Outside intervention is blamed for many of the country's problems, **Maggie Ford** reports

History lessons for S Korean students

"HUNT the revolutionary student" has been played in South Korea for years. Ever conscious of the need to root out spies from the North and "impure elements" in the South, police and intelligence agents have arrested, jailed and sometimes tortured thousands of students over the years.

So it was not surprising that the first meeting between student leaders and foreign journalists since last month's demonstrations was a cloak and dagger affair, arranged in secret, with no names mentioned.

Careful in their language, though not apparently afraid, the student leaders spoke of their hopes for the country. Although imbued with the idealism and perhaps naivete of youth, their views did not appear revolutionary.

They focused strongly on an issue that could provoke disagreement during the constitution revision talks between South Korea's major political parties which started this week. For along with matters such as the voting age of electors, the term the new President to be elected later this year should serve and whether or not he should have a running mate, the talks will also range over the country's contested past.

Students: days of violent opposition may return

The students' concern is with how far the governments and political movements of the past genuinely represented the people's will, and how far they were imposed from within or without. This is of more than historical interest: it will set the tone for the future, in the preamble to the democratic constitution.

The students see the demonstrations last month as the latest event in a process reaching back to an independence movement early this century, taking in an uprising in 1919, the overthrow of South Korea's first President Syghman Rhee in 1960, and the suppression of the 1980 Kwangju rebellion against the present regime.

Many of them see Korea's troubles as largely caused by foreigners—be they of the Chinese, Japanese or American variety. Since the US has 40,000 troops in the country, it is viewed as the major foreign player and bears the brunt of the students' frustrated nationalism.

Anti-Americanism has grown strongly over the past few years, leading to student occupations of US consulates, and the burning of US flags at demonstrations. The US is accused of interfering in domestic Korean politics and supporting non-democratic regimes in its own strategic interest, and of not interfering when it should, such as at the time of the 1980 Kwangju uprising when troops killed hundreds of civilians.

Radical students have been a particular bete noir of the Chun regime, with its emphasis on security and the threat from the North. But while analysts believe that in the past a number of marxist groups had grown up, they say that those with revolutionary aims are now a small minority.

Independence from foreign powers topped the list of the students' goals at the meeting, along with unification and genuine democracy. The US troops would have to go, they said.

That unanimous assertion, based on the view that North and South Koreans would not fight another war against each other but would unite across the fortified border to expel dictators, foreign powers and anyone else standing in the way of national unity, seems rather removed from reality. It is not shared by the majority, Western diplomats and Korean analysts believe.

But the students' feeling that the alleged threat of invasion from the North may be a paper tiger is more broadly accepted. The sense that governments have manipulated people's fears for their own purposes is echoed among some educated South Koreans, albeit very cautiously.

The students' views also reflected the suspicion of the majority that the Government may not carry through its promises to introduce democracy. All of the nation's political leaders—Mr Roh Tae Woo and the two opposition leaders Mr Kim Young Sam and Mr Kim Dae Jung—were part of the "old government structure" the students said.

But in the absence of new leaders, the old ones would have to be guided by the people in the right direction, they added. As the politicians begin the difficult process of change, watchfulness will continue to be the order of the day. The day of the riot policeman armed with tear gas may not be over.

MINORITY party members in South Korea blocked scheduled political reform talks yesterday between the ruling and main opposition parties, calling for equal participation, Reuter reports from Seoul.

Parliamentary officials said dozens of MPS from the New Korea Democratic Party and Korea National Party occupied conference rooms in the National Assembly.

The protestors accused the ruling Democratic Justice Party and the Reunification Democratic Party, backed by opposition leaders Mr Kim Dae-jung and Mr Kim Young-sam, of monopolising talks.

AMERICAN NEWS

Nicaragua plea on oil supplies is rebuffed

By William Orme in Mexico City

MEXICO and Venezuela yesterday announced a one-year extension of their discount oil sales to Central America and the Caribbean.

Nicaragua, however, has apparently been rebuffed, at least for the moment, in its efforts to secure petroleum on still more favourable terms from the two Latin American oil giants.

The sales, under the San Jose pact, began in 1980 when Mexico and Venezuela were flush with income from the oil boom. It allows importing nations to pay four-fifths of *their oil bill in cash and finance* the remainder with low-cost loans. Under the pact, Mexico and Venezuela supply up to 130,000 barrels of oil a day to small Caribbean nations and supply all Central American countries except Nicaragua.

Venezuela cut off oil supplies to Nicaragua five years ago, complaining that the Sandinista regime had failed to pay for more than $20m in previous oil shipments. Mexico continued sending crude until 1985, suspending deliveries when Nicaragua said it could no longer service an oil debt of more than $500m.

In recent months, Scandinista officials have sought new oil sources to compensate for a reduction in shipments from the Soviet Union, which has been Nicaragua's main oil supplier for the past two years.

But Mr Emilio Rappaccioli, the Nicaraguan Energy Minister, has said the concessionary terms of the San Jose pact are still far too costly for "a country which is under attack from the US Government."

On Tuesday, in an unusual personal message to Presidents Jaime Lusinchi of Venezuela and Miguel de la Madrid of Mexico, Nicaraguan President Daniel Ortega said the two leaders should consider new forms of economic co-operation in the region, especially in the energy field.

Since Nicaragua first began sounding warnings about an imminent reduction of its oil supplies more than two months ago, diplomats association with the Contadora group have discussed a possible economic aid plan that would channel raw materials and foodstuffs from elsewhere in Latin America to Central America.

Garcia seizes control of Peru's financial system

BY BARBARA DURR IN LIMA

THE PERUVIAN Government yesterday took over 10 private banks, 17 private insurance companies and six private finance companies, following President Alan Garcia's announcement on Tuesday that all private banks and financial institutions would be nationalised.

Foreign bank branches have not been included in the executive decree.

The takeover of the financial system, which involved the expulsion of the boards of *directors, is a* 120-day interim measure while the legislation detailing the nationalisation is passed in the Congress.

Mr Guillermo Larco Cox, the prime minister, said that although the executive decree did not include foreign bank branches, the Congress, which is to approve the law, could change this.

Foreign bank branches, including Citibank, Bank of America, Chase Manhattan, Bank of Tokyo, Bank of London and South America and Banco Central de Madrid were open *for* business yesterday. Chase Manhattan has agreed to sell its operations to a Peruvian bank.

The executive decree states that any bank or company director, officer, or employee who does not follow the administrative committee's orders or who provides false information on the institution's business will be penalised.

The private sector's condemnation of the President's statement continued yesterday with the announcement that Mr Ricardo Vega Llona, president of the National Federation of Private Business Institution and also president of the Exporters Association, had resigned in *protest from two top committees* that co-ordinated state and private sector activity.

The Government said that its step was to ensure that "all the resources that are internally generated serve to overcome the social and economic crisis

Among the nationalised banks is Banco de Credito, Peru's leading private commercial bank that has accounted for approximately one-third of all banking business in the past two decades. The others are Banco de Comercio, Banco de Desarrollo, Banco de Lima, Banco Latino, Banco Mercantil del Peru, Banco Financiero del Peru, Banco Regional del Norte, Banco del Sur del Peru,

White House drops opposition to bank bill

BY WILLIAM HALL IN NEW YORK

PRESIDENT REAGAN has dropped his opposition to a controversial banking bill, clearing thet way for the recapitalisation of the bankrupt Federal Savings and Loan Insurance Coropration which insures small depositors against loss in the US savings bank industry.

The Administration, which is *keen to deregulate* the US commercial banking industry, had threatened to veto a proposed banking bill which imposes fresh curbs on the expansion of bank powers. However, it has also become increasingly concerned at the parlous financial state of the FSLIC, which has been unable to close troubled savings banks because it had run out of money to reimburse depositors.

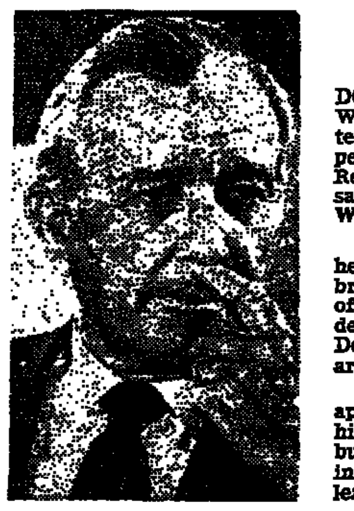
In the event, the problems of the savings bank industry have outweighed the Government's enthusiasm for deregulation, and after several weeks of *behind-the-scenes* bargaining, President Reagan has told Congress that he will drop his opposition to the bill in return for the FSLIC recapitalisation being raised from $8.5bn to $10.8bn.

There have been estimates that the FSLIC would need between $25bn and $30bn to rescue all the country's troubled thrifts and the Administration had wanted a FSLIC recapitalisation of $15bn.

The savings bank industry, which will bear the cost of the FSLIC recapitalisation, has argued that $5bn would be sufficient. In a reference to allegations about excessive spending by the Defence Department, the US League of Savings Institutions, one of the most active lobbyists against the legislation, said: "The people who are outraged about the Government spendinß $700 fo rtoilet seats and $50 for bolts, ought to see the potential for waste if we give the FSLIC $15bn with no oversight."

While there could be some last-ditch opposition to the proposed legislation most analysts believe that it will probably pass into law within the next few weeks. The US League of Savings Institutions said yesterday that it wis disapointed by the compromise but indicated that it would not try to block tht passage of the bill.

Regan warned on Iran arms



Donald Regan: 'We've been snookered'

DONALD REGAN, the former White House Chief of Staff, testified yesterday that he *repeatedly advised President* Reagan to abandon secret arms sales to Iran, AP reports from Washington.

He told the Iran-Contra hearings he had "racked his brain" but had no knowledge of a formal document the president reportedly signed in December 1985 approving the arms-for-hostages deal.

Mr Regan said the president appeared several times to accept his advice to stop selling arms, but repeatedly authorised sales in the hope of gaining the release of the hostages.

He said he told Mr Reagan in December 1985 to cut his losses as it did not look as though it was getting anywhere.

He offered th esame advice in *January* and *February* 1986 after the US had sold 1,000 missiles to Iran but had failed to free any hostages.

Mr Regan said he told the president: "We've been snookered (fooled) again. How many times do we put up with this rug merchant stuff, or words to that effect."

Asked for Mr Reagan's reaction, Mr Regan said, "I think he shared my view that we'd been had."

He recalled that in a briefing session for the president before his televised news conference last November after the Iran-*Contra* affair became public, Mr Reagan was getting conflicting information about what had happened.

"I think this sort of confused the presidential mind as to what he could say and couldn't say," Mr Regan said. Accordingly, the president was on guard that night as to how much can to say vis-a-vis Israel, and he did get the answer botched."

Mr Regan also said that Mr Reagan did know there were private benefactors who were donating money to the Nicaraguan Contras while US military aid to the rebels was banned.

Mr Regan was forced to resign after the Tower Commission issued a report charging him with primary responsibility for the chaos that descended upon the White House after the scandal came to light.

Sarney to curb waste by state companies

By Ivo Dawnay in Rio de Janeiro

PRESIDENT Jose Sarney of Brazil has ordered a clampdown on widespread irregularities and overspending in the country's 468 state companies and government agencies.

Renewed efforts to take a firmer grip on the public sector come in the wake of a new report from the federal Accounts Tribunal confirming suspicions that poor management and malpractice are commonplace.

Of the 60 public companies and government bodies investigated last year, 51 were found to be *guilty of irregularities* involving a loss for the Treasury estimated at Cz 50bn ($1bn).

In particular, the tribunal found excessive spending on perks, travel payments and daily allowances to staff, 38 per cent of which had official authorisation.

Efforts to improve regulation of the public sector are to be stepped up next month when an inquiry will be lauched into all state-owned agencies and enterprises. The clampdown is part *of the new economic plan* which is aimed to curb government spending.

Panama protest shuts university

PANAMA'S national university was closed indefinitely yesterday after riot police clashed with demonstrating students.

The violence came as Panama criticised US "interference" in its internal affairs and as thousands of people held a pro-government rally in the banking district.

The Foreign Ministry said further US interference would be considered as a hostile act against the Panamanian Government.

The US embassy, which had earlier criticised closure of opposition newspapers, had no comment.

The demonstrations were sparked by criticisms of Panamanian strongman General Manuel Antonio Noriega, who is accused of political murder and other crimes.

Anson Ng reports on the first signs of recovery after reorganisation of a Central American economy

Public spending boost pays dividends for Guatemala

FIVE YEARS of economic recession are coming to an end *for* Guatemala, the most industrialised country in turbulent Central America.

The recovery is good news for the embattled 18-month-old Christian Democrat Government, which faces renewed hostility from labour unions and the influential business community in the wake of proposed tax changes. The Government's pursuit of an expansionary budget whilst maintaining monetary discipline, appears to be paying off.

Official statistics recently released by *the Ministry of the* Economy show encouraging results following the economic reorganisation:

- the number of jobs available in the public and private sectors increased by 21 per cent from June to December 1986;
- real wages rose by 15 per cent in the same period;
- private fixed investment for the first quarter of 1987 is more than double the figure for the same period last year.

As a result of this improving trend, unemployment is expected to be no higher than 27 per cent this year, a sharp improvement from the 43 per cent registered in January 1986 when the Christian Democrats took office.

The outlook for inflation is also promising. The slowdown *in consumer price increases to* a mere 3.5 per cent over the first five months of 1987 is an encouraging sign, lending support to official claims that inflation would be brought down from over 21 per cent in 1986 to 9 per cent this year.

But the government will have difficulty in keeping the lid on inflation if the budget deficit continues to grow. The inefficiency of the tax collection system combined with delays in fiscal reforms and the short-fall in tax revenue on coffee exports could easily raise the deficit to over 3 per cent of GDP or 0.7 per cent above the original targets.

The pace of the economic upturn has been set by a 38 per cent increase in public investment, which has given a shot in the arm to the construction sector. However, though hard currency has become more readily available, many industries were producing below full capacity in 1986 owing to depressed domestic and regional demand.

Officials are hoping that successful diversification into non-traditional products together with new employment generated by substantial public spending (14 per cent of GDP) will achieve the targeted growth of 2.3 per cent for 1987. But even then real GDP would lag behind the rate of population growth. Faster growth is constrained by slowness in realising export promotion and investment incentives.

The Bank of Guatemala estimates that 5 per cent growth is attainable by 1991 provided the government maintains labour-intensive investment programmes, promotes exports and investment, and secures further foreign financing such as development aid and soft loans.

According to official projections, following a surplus during the last three years, the balance of payments this year will show a deficit of about $20m. On the current account, the drip in coffee export earnings, traditionally the chief source of income, will be cushioned by stronger inflows from foreign donations, tourism and non-traditional exports. In the last half of 1986, export earnings expanded by over 40 per cent while the volume of imports rose by almost 20 per cent, indicating a revival in economic activity.

But the anticipated inflow of foreign investment and fresh loans will be offset by large outflows if Guatemala fails to renegotiate its external obligations. Though external debt, at $2.5bn, is relatively small in per capita terms, amortisation and interest payments amount to over $500m annually from 1987 to 1989, equivalent to about 50 per cent of the country's export earnings.

Guatemala's gold and foreign currency reserves have improved slightly by $49m in 1986 to $538.3m at the end of the year. Over the first five months of 1987 reserves increased by another $69.2m. However about $240m of the total remains debt owed to Guatemala by its Central American neighbours and cannot be retrieved in the short term.

WORLD TRADE NEWS

NEGOTIATIONS 'AT UTTER DEAD END'

De Clercq warns of new trade war

BY TIM DICKSON IN BRUSSELS

MR WILLY DE CLERCQ, the EC's External Relations Commissioner, announced yesterday that "barring a last minute miracle" a new transatlantic trade war will erupt next week over European pasta exports to the US.

He told journalists in Brussels that negotiations had reached "an absolute and utter dead end" and predicted that Washington will soon impose punitive measures on Community exports in line with its deadline of August 1." The two sides are far apart, he declared gloomily.

Mr de Clercq's gloomy resignation was not shared by US officials who last night were keeping alive the hope that last ditch talks could yet avert the crisis. One possibility is that a senior member of the Reagan Administration *will* fly to Brussels today or over the weekend.

The significance of the so called "spaghetti war" goes beyond the mere $35m of EC pasta exports which are at stake and the tit-for-tat measures which will inevitably accompany an outbreak of hostilities. Transatlantic trade relations are already at a low ebb in view of growing US opposition to the Common Agricultural Policy (CAP), the implementation next year of the EC ban on hormones in meat, and the continuing row over subsidies for the European Airbus consortium. "If we can't sort out a little problem like this, what hope is there for the big ones?" one official lamented yesterday.

Representatives of the US sugar and corn sweetener industries have asked the government to act against subsidies that have increased production in the EC. "EC dumping of excess sugar has brought sugar price levels to the lowest point in history," Mr Raymond Stanhope, chairman of the US sweetener producers group, said yesterday. The producers want Mr Clayton Yeutter, the US trade representative, to revive an investigation that has been dormant since 1982.

Mr Willy de Clercq

The pasta dispute hinges on the level of EC subsidies paid to (mainly Italian) producers to encourage their exports. The US claims that because it is a processed product these are illegal under the Gatt (though a panel ruling to this effect has never been formally adopted) while the Community replies that the payments only relate to the durum wheat content and are therefore legitimate. The issue got entangled last year in a separate dispute over US citrus exports and is now seen as essentially a hangover from the somewhat loosely worded settlement of that problem.

Negotiations have dragged on for the last seven months but a couple of weeks ago the US imposed its August 1 deadline. As at last night the Americans were still insisting that the EC subsidies (which bridge the difference between the world price of durum wheat and the higher EC price) should be reduced by 35 per cent. The EC refuses to go beyond 20 per cent.

Discussions have also been taking place over the possibility of the EC exempting pasta producers from paying a levy on imported wheat sold on world markets. This would at least partly eliminate the need for the subsidies.

Neither side has publicly specified what measures will be taken if negotiations do collapse. It is widely assumed, however, that the Americans will simply impose penal duties on EC pasta exports.

- Mr Alfred Kingon, head of the US mission to the European Community, said yesterday that EC complaints of deadlock in a dispute over subsidies for pasta exports are "premature."

Mr Kingon was considerably more optimistic in assessing the prospects for a settlement by August 2, the deadline set by the US for the EC to cut back the subsidies.

"We are continuing, and I really hope we can solve this because this isn't the kind of isue that we should go to war over," he said.

"The negotiations are going on, have been going on and never stopped. We have been very creative in our proposals and they too have been creative.

"For our part, we'll be here till the very end to see if we can find a solution."

Fiat to modernise Polish car plant

By Christopher Bobinski in Warsaw

FIAT of Italy has agreed to modernise the FSM car plant in southern Poland in order to produce a new 700 cc passenger car there from 1991 onwards.

The agreement which is scheduled to run for 15 years is worth $470m in supplies of Western machinery and equipment for FSM as well as components for the new car.

Output targets for the model are set at 160,000 a year with one-third to be marketed by Fiat in Italy and Western Europe to pay off the credits arranged by Fiat to finance the deal.

Some $235m worth—roughly *half—of the equipment for the* advanced production plant will come from Fiat, notably its Comau robotics subsidiary.

The remainder, Fiat said last night, would come from "other Italian and unspecified EC suppliers."

Fiat's share of the business will be financed by a loan from Fiat itself. Funding for the other West European supplies has been organised by a pool of as-yet unidentified Western banks. FSM produces the 650 cc Fiat 126 car at the rate of 200,000 *units* a year and exports go to Western Europe, Comecon and China.

The agreement has yet to be ratified by the Polish government and is expected to be formally signed in September.

Poland will provide a soft currency domestic finance worth another $130m for the FSM project.

Completion of the talks still leaves the fate of FSO in Warsaw, Poland's other car maker, very much in the air.

Fiat is engaged in a stiff battle with Daihatsu for a modernisation agreement for a new 1.3 litre model to replace the aged Fiat 125 which has been produced at FSO since the late 1960s.

India gas project

Korea Heavy Industry and Construction Company has been awarded an $18.2m offshore gas extraction contract in India, AP-DJ reports from Seoul.

The contract is part of a five-*phase* gas project, and the company will build gas-extraction platforms with technology to be provided by Kinetics Technology International of the US.

Japan takes steps to tighten export curbs

BY BOB KING

The Japanese Cabinet will today almost certainly approve and send to the Diet measures to stiffen the penalties for exporting strategically sensitive goods to communist countries.

Under the new measures which have been expected for some time those who export sensitive goods or technology without the proper licences will face gaol terms of five years compared with the current three years. The Statute of Limitations for such offences will at the same time be raised to five years

Companies *found to* have illegally exported such goods or technology will under the revised *rules* be barred from further Cocom related exports for three years, *rather than the* current one year. Monetary penalties for all offences have also been roughly doubled under the amendments.

The changes also provide a legal basis for consultation between the ministers of international trade and industry, and of foreign affairs. This newly added clause allows either minister to seek the advice of the other on applications for export of Cocom related goods or services.

The Government is taking the action as the US Congress threatens retaliation against Toshiba Corporation, whose subsidiary, Toshiba Machine Company, was found to have illegally exported sensitive machine tools to the Soviet Union between 1981 and 1984. The US claims the sophisticated tools have helped the Soviets build quieter submarines, making it harder for Western navies to detect them.

In May the Government fined Toshiba Machine and stopped it exporting to Communist countries for a year. Both the *president and the chairman of* Toshiba resigned, as did the chairman of Toshiba Machine, and two former executives of the subsidiary have been charged with breaching Co-ordinating Committee (Cocom) rules which govern the transfer of sophisticated items and technology to the Communist bloc.

But that has done little to pacify feelings in the US, where Congress has already introduced Bills that would ban the importance of Toshiba made goods. The affair has also intensified *feelings of ill will* in general in the US toward Japan as a trading partner, illegally exporting strategically sensitive goods to Communist nations.

A spokesman for both ministries admitted that the current system of export supervision has shown its shortcomings in the Toshiba affair.

Mr Hiroshi Hirabayashi, of the Foreign Affairs Ministry, added that officials of the Defence Ministry would for the first time be invited to meet *other* high-level personnel to help co-ordinate Cocom and other strategic matters.

He also confirmed that the Trade and Industry Ministry will increase the number of personnel in its export control section and that Japan will strengthen its co-operation with the US in anti-submarine surveillance techniques.

Jordan rules out aircraft deal

BY TONY WALKER IN AMMAN

JORDAN has virtually ruled out for the time being the $1.52bn purchase of new aircraft to replace its ageing Mirage F-1s because of lack of funds.

A Jordanian request to Saudi Arabia to finance the purchase of replacement squadrons has as yet drawn no response, according to a highly-placed Jordanian official.

The acceptance in Jordan that money for the purchase is unlikely to be forthcoming from the Gulf coincides with a cash squeeze in the country itself. Foreign exchange cash reserves were down to about $200m at the end of March. Jordan has been considering various options, including the Tornado advanced interceptor, the Mirage 2000, the F-16 and the Mog 29.

There were reports earlier this year of a difference of opinion in the higher echelons of the Jordanian administration on the best replacement. King Hussein and his military commander-in-chief favoured the Tornado over the Mirage 2000, the air force choice.

'Acceptance in Jordan that money for the purchase is unlikely to be forthcoming from the Gulf coincides with a cash squeeze in the country itself, with foreign exchange cash reserves down to about $200m at the end of March'

Discussion about a replacement is now considered fairly academic in Jordan in the absence of assistance from the Gulf, although Jordanian officials are continuing discussion with representatives of the companies involved.

A Jordanian team, recently in France for the Paris Air Show, held talks with Dassault, manufacturers of Mirage, who are particularly anxious to secure new orders following several disappointing years. But even if the French company were to offer the most generous terms, it is unlikely Jordan would be able to enter an agreement to purchase.

Military attaches say Jordan will simply have to make do with its existing Mirage and F-5 squadrons unless a "fairy godmother" were to provide the cash. With the oil price depressed, this does not seem likely soon.

The *Jordanian* official echoed this assessment of the situation when he said: "Unless one party is willing to finance fully the package (including aircraft, training and spares) we are unable to commit ourselves to the purchase."

Jordan had initially expresed an interest in US F-16s, but the sale of this advanced aircraft was blocked by Congress which is holding up a $1.9bn arms package for the Jordanians.

This is a cause of dismay in Amman, King Hussein has criticised the apparent US inability to provide weapons to perhaps its most reliable Arab ally because of domestic pressures.

Bid to save Unctad trade and debt talks

BY WILLIAM DULLFORCE IN GENEVA

MR BERNARD CHIDZERO, the Zimbabwean Finance Minister, presiding over the seventh session of the UN Conference on Trade and Development, yesterday called a meeting of chief delegates to try to save the north-south consultations on trade and debt from debacle.

Apart from some convergence of ideas on how to handle the debt and growth problems of the very poorest nations, developing countries and industrial nations remained at odds after nearly three weeks of deliberations over how to improve financial flows to the Third World and to help countries whose development is jeopardised by falling commodity prices.

Mr Chidzero said he was determined to end the conference on schedule today with a final document setting out agreed guidelines for future international action on trade and debt. Most participants, however, believed the wrangling would persist well into the weekend.

Preparing for a failure, the developing countries yesterday deposited before the conference's plenary session the working documents they had submitted to the four committees.

Third World ministers stressed, however, that they were still negotiating seriously on a single final document and that no decision had been taken to seek votes on the working documents.

An address to the conference by Mr Dennis Goodman, heading the US delegation, has helped to sour the mood. Mr Goodman said bluntly that no-one had come to Geneva to agree to fundamental changes in the policies and positions adopted by his or her government.

Unctad was engaged in a flawed process and seemed to have been "captured" by a small group pushing proposals that were no longer discussed seriously in the capitals of most developing countries, Mr Goodman said.

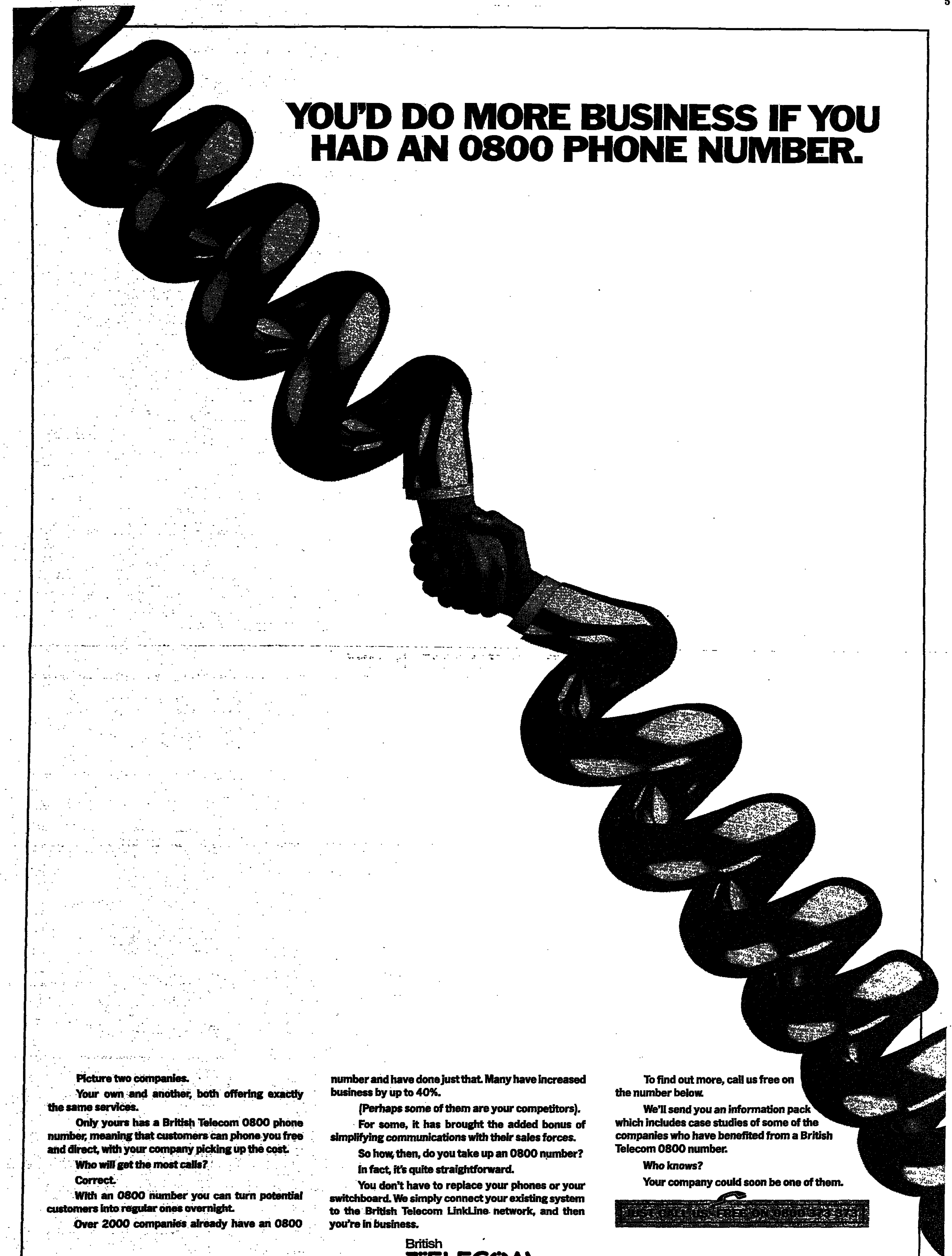
Touching on a delicate issue for Third World governments, the future of Unctad, he suggested that the secretariat should apply its energies to new areas. Most developing countries regard Unctad as the only international forum in which they can promote their ideas on economic issues.

Even some delegates from the richer countries considered Mr Goodman's speech to have been ill-judged and ill-timed.

The industrialised group was trying yesterday to settle on a common approach for the final hours of the conference. The Nordic countries, in particular, wanted concessions made to Third World concerns on debt, commodities and Unctad's role in trade issues.

So far the big economic powers have maintained the line spelt out in the ministerial communique of the Organisation for Economic Co-operation and Development and at the Venice summit. But, as a French delegate pointed out, interpretations now differ over the meaning of some items in the Venice declaration.

These differences, notably over the sizes of new resources for international agencies, could allow the US, the European Community and Japan to agree on "improvements" to the two communiques that would go at least part of the way to meeting developing-country demands, it was suggested.



UK NEWS

Poll tax to be imposed over 4-year period

BY RALPH ATKINS

THE GOVERNMENT yesterday announced details of its controversial community charge which will replace rates (local property taxes) and committed itself to a four-year transition period in England with no dispensation for London.

From April 1 1990, everyone older than 18 will pay a community charge, or poll tax of about £100 – assuming councils maintain spending at the same level as in 1989.

The community charge will initially operate in tandem with the existing rates system. However, from 1990 local rates will be fixed by central Government and then *decrease steadily until 1994 when* they will disappear.

At the same time the community charge will increase, providing councils with a rising share of their income.

In Wales there will be no transition period because the Government believes that the additional revenue from rates needed to supplement a £100 community charge will be small. Instead, councils will switch straight from rates to the new system in 1990.

Mr Nicholas Ridley, Environment Secretary, who pressed in Cabinet for a rapid implementation of the tax for English councils, said the Government had decided on a four-year changeover because of the radical nature of the changes.

Nicholas Ridley: "Time needed to adjust"

"We have balanced the need to get the full system in place as quickly as possible with the need to give local authorities and people time to adjust," he said.

A plan to extend the changeover period in London to five years, which was considered by Mr Ridley, has been dropped.

The modified proposals are being drafted into legislation and are expected to be introduced in parliament when the new session starts in the autumn.

The changeover will be accompanied by a four-year safety net designed to limit the effects of moving to the new grant and business rate system, details of which were unchanged by yesterday's announcement.

The Government estimates that if the community charge were in operation today, and councils provided what it considers a standard level of services, the average adult would pay £178 a year.

"Higher charges will be the result of extravagance or inefficiency," said Mr Ridley.

But even in 1994, the community charge will provide less than a quarter of local authority expenditure. The remainder will come from the Government grants based on an estimate of a council's needs, charges for council services and from the uniform business rates.

This will give councils only a small degree of flexibility – with even small increase in council spending resulting in sharp increases in the community charge.

Certain people will be exempt from paying the community charge. These include the severely mentally handicapped, patients living in hospital and those in prison.

Auditing changes shelved

By Andrew Taylor

THE GOVERNMENT has dropped controversial proposals which would have required companies regularly to change their auditors and would have prohibited accountants from doing consultancy work for companies for which they carry out audits.

The proposals, which suggested that companies might be required to change their auditors every five years, were contained in a consultancy paper published by the Department of Trade and Industry (DTI) last August.

In a further discussion paper sent this week to accountancy professional bodies, the DTI says it has scrapped these ideas because "the cost to companies would be substantial and outweigh any benefits which might be obtained in terms of improving the quality of audits."

Instead, the DTI proposes to introduce legislation which would require companies to disclose fees paid to auditors for non-audit services, such as consultancy work.

It also plans to extend legislation to require firms ceasing to carry out audits for a company, for whatever reason, "to state whether there are circumstances connected with their resignation which should be brought to the notice of members or creditors."

The Government, as widely expected, intends to abolish regulations which have prevented accountancy partnerships from incorporating as companies.

"Subject to appropriate safeguards, firms wishing to incorporate should be allowed to adopt the corporate form of their choice," says the DTI.

Its original proposals, including those prohibiting auditors from providing non-audit services for the same clients, were among a series of options the DTI had put forward for discussion for implementing the European Community Eighth directive on harmonising company law and procedures.

When it was published last autumn, the paper was criticised by many accountants and in May this year the DTI announced that it had decided not to impose a new super-regulatory body on the auditing profession – another of the options contained in last August's consulation paper.

Public sector pushes up pace of earnings

BY DAVID BRINDLE, LABOUR CORRESPONDENT

THE IMPACT of large public sector pay awards is poised to push the underlying rate of increase in UK average earnings to 8 per cent for the first time since 1983, according to Incomes Data Services (IDS), a pay monitoring body.

The group says the figure for the 12 months to last month, to be published on August 13, may be lifted to 8 per cent for both the services sector and the economy as a whole by the effect of the Government's own awards to nurses (9.5 per cent) and doctors and dentists (7.7 per cent.)

Such a development would give rise to fresh concern about the inflationary implications of the earnings trend. The underlying figure, 7.75 per cent for the past two months, has been at either that level or at 7.5 per cent for 3½ years.

Lord Young, then Employment Secretary, said in April that it was acceptable to have such high earnings increases as long as unit labour costs remained low.

Since then, however, there have been signs of growing government sensitivity to the trend.

When earnings figures were last published, earlier this month, the Employment Department issued a table of international comparisons setting a rise of 8 per cent in UK manufacturing against 4.3 per cent for West Germany and 1.8 per cent for Japan.

IDS says that basic pay settlements have been bunching between 5 per cent and 6 per cent, but that earnings are being boosted by overtime and output bonuses in industry and by merit and profit payments and sharply-rising London allowances in services.

The group says that not all public sector pay settlements are moving ahead of the private sector, but that it is an "open question" how local government, which is financially-squeezed, will be able to fund high awards such as the 7.75 per cent for police, the 8.2 per cent due to teachers in October and the 10.6 per cent offer to manual workers.

Four law firms regroup in London mergers

BY HAZEL DUFFY

TWO MERGERS of London-based law firms were announced yesterday. The moves could signal the beginning of a trend towards mergers among small to medium-sized firms intent on securing their place in corporate and commercial work.

The merger between Withers and Crossman Block & Keith, two long-established firms, will take effect on January 1 next year. The new firm will have 34 partners and almost 80 lawyers. It will put together a wider international practice and strengthen existing capabilities, particularly in banking.

Both firms have expanded in company and commercial, litigation and property sectors. Clients of solicitors, however, increasingly expect a legal service which is more specialist and international, requiring teams of experts. Mergers between similar-sized firms seem to be the best way of creating such teams quickly.

The other merger, between Charles Russell & Co and Williams & James, will be effective next Monday. The new firm will have 31 partners. It has practises in London and in towns west of London where it has built up a client base in expanding companies.

The rationale for this merger is similar. Firms of this size want to hold on to their private clients, but they are most anxious to secure their places in the City of London and international business community after last year's deregulation.

They also face competition in the recruitment of graduates into legal practice, which has become more intense with the growth of legal business when law schools still graduate the same number of graduates as five years ago.

Firms which can offer a range of specialist sectors have a better chance of attracting recruits. The biggest UK merger among solicitors' firms was between Clifford Turner and Coward Chance, to form Clifford Chance in May last year.

Callaghan named in list of 19 new peers

By Peter Riddell, Political Editor

SIR JAMES CALLAGHAN, the former Labour Prime Minister, and a number of former Tory Cabinet critics of Mrs Margaret Thatcher, the Prime Minister, are among 19 new life peers (who will sit in the House of Lords) named in the *dissolution* honours list announced yesterday.

The list consists almost entirely of ex-MPs – mainly former ministers – who left the House of Commons at the last general election, but also a few prominent backbenchers.

Contrary to earlier speculation about some people being left out, Mrs Thatcher has followed convention in recommending all 11 former Conservative Cabinet ministers for life peerages.

The sole award for a sitting MP is the Companion of Honour for Mr Norman Tebbit, the chairman of the Conservative Party who left the Cabinet after the election. This is a special award for exceptional contributions to public life.

The list of life peers includes several of Mrs Thatcher's strong supporters, such as Sir Keith Joseph, Mr Nicholas Edwards, Mr Patrick Jenkin, Sir Humphrey Atkins and Mr Peter Rees, as well as a number of former Cabinet critics. These include Mr Francis Pym, Mr James Prior, Mr Mark Carlisle and Mr Norman St John Stevas. Two members of the 1970-74 Heath government, Mr Geoffrey Rippon and Mr Peter Thomas, also become life peers.

Apart from Sir James Callaghan, the most prominent opposition *nominee is Mr Roy Jenkins, the* former leader of the Social Democratic Party, past president of the European Commission and current Chancellor of Oxford University. Mr Stephen Ross, the former Liberal MP, also receives a life peerage.

The most notable absentee from the list is Mr Enoch Powell, the former Cabinett minister and Ulster Unionist MP, who lost his seat at Down South in the election, but who strongly opposes the principle of life peerages.

The Labour nominees include former Cabinet ministers Mr Roy Mason, Dame Judith Hart, Mr Michael Cocks and Mr Douglas Jay, *and Mr Jack Dormand*, the former chairman of the Parliamentary Labour Party. Mr Jay, 80, served in the Attlee administration of the late 1940s and left the Wilson Cabinet in 1967. He left the Commons in 1983 and was surprisingly not honoured then.

Together with the eight new opposition peers, the enoblement of some Tory critics has not eased the Government's likely problems in the House of Lords this winter over some of its more controversial measures.

The list is completed by four knighthoods, three for Tories and one for Mr Clement Freud, the Liberal who lost his seat at the last general election.

Details, Page 10

Labour 'trying to derail Tory education plans'

BY TOM LYNCH

MR KENNETH BAKER, Education Secretary, yesterday accused Mr Jack Straw, his Labour opposite number, of trying to derail Government plans for a far-reaching reform of education in England and Wales by pleading for a two-month extension to the consultation period.

Mr Straw said yesterday the Government had "no respectable justification" for allowing just over two months consultation on the reforms — including introducing a national curriculum and enabling schools to opt out of local education authority control. "It makes a mockery of the claim that it wants to seek people's views he said."

In a letter to Mr Baker, Mr Straw argued that, because schools are on holiday and councils and their associations do not meet over the summer, parents, governors, teachers and education authorities had effectively a maximum of three weeks to respond.

Mr Straw suggested a further two months would give time for considered responses from parents, teachers, governors and local authorities, all of whose representatives had objected to the timetable.

He contrasted the "rush" over education with the care taken over the regulation of the City and suggested the pace was being forced because the Government wanted the London boroughs of Westminster and Wandsworth to opt out of the Inner London Education Authority before the Conservatives lost control in the 1990 borough elections.

However, Mr Baker assured Mr Straw in a letter yesterday: "The deadlines are not absolutely rigid. We will be flexible and receive comments after the given dates."

He insisted he was engaged in genuine consultation, but that that had to be within a timetable which ensured that the reforms, for which the Government had secured a *mandate in the general election*, were enacted on schedule, during the current session of parliament. Adopting Mr Straw's proposal "would derail the Government's timetable."

Economic policies depend 'on series of conditions'

BY RALPH ATKINS

THE GOVERNMENT'S economic policies are like an accumulator bet because they will succeed only if they meet at least six conditions, says a report published yesterday.

Mr David Smith, economics adviser to Williams de Broe, a stockbreking firm warns that established historical relationships would have to be reversed.

If met, the prize would be economic growth and falling unemployment. If not, current economic policies would lead to higher inflation and rising interest rates.

The necessary conditions are that monetary developments, including the acceleration above target of broad money supply in recent months, do not lead to price rises.

The pound's external value must not fall further, and the depreciation in sterling in the last few years must be accepted as a real fall when wage settlements are agreed, he argues.

The growth of broad money *must slow in the next or so*, which may require a reduction in speculative demand for credit to invest in housing and equities.

Inflation in other countries must remain low, in spite of higher oil and other commodity prices.

Finally, capacity constraints must be avoided to prevent rising home demand leading to unsustainable balance of payments deficits.

Technology group buys Rover systems

By David Fishlock, Science Editor

THE British Technology Group is buying the Rover Group's technology for *continuously* variable engine transmission systems. It believes this completes a technology package with important commercial possibilities.

The Rover file is founded on research and development on gearless transmissions for cars and heavy commercial vehicles at the Leyland technology centre.

BTG will also acquire three Leyland demonstration vehicles fitted with continuously variable transmission, one of which is a bus which is also fitted with British Petroleum's flywheel system for regenerative braking.

The *Rover* package will complement an interest of BTG in which *systems* dating from 1960 when the then National Research Development Corporation acquired *rights* to the Perbury system, later used in Harrier aircraft.

The group said yesterday it had already *put more than* £1m into the development of the Perbury system. It plans to take over the former Leyland CVT team of seven development engineers at Preston, Lancashire.

BTG's announcement accompanied its latest accounts, published yesterday, which show income from its technology transfer activities down sharply, to £10.8m, from £16.2m, in 1985-1986.

Two factors, one of which was and one not expected, explain the decline, said Mr Colin Barker, BTG's chairman.

The unexpected *factor* was a sharp change in the international market for BTG's pyrethrum insecticides, its largest single source of licence revenue. China, which had become a large importer, abruptly stopped buying and began to unload its stocks on the world market.

Mr Barker estimated that this had cost BTG about £3.5m during the year.

In addition, licence revenue on BTG's cephalosporin family of antibiotics ran out, with income falling from £2m to nothing.

British Technology Group. Annual reports of the National Research Development Corporation and the National Enterprise Board. 101, Newington Causeway, London SE1 6BU.

Kevin Brown reports on the £400m contract for Channel tunnel passenger trains

French following right lines for success

ALSTHOM, a French rolling stock manufacturer, which built the 180 mph Train a Grand Vitesse, *is* emerging as the key to the £400m contract to build through-trains for the Channel tunnel.

Railway managers say technical and political pressures are making it unlikely any bid for the contract could succeed without Alsthom.

British manufacturers, which had formed a loose consortium, have begun to break ranks as a result and are exploring separately the prospects of a link with Alsthom.

Outline specifications for the through-trains were sent to 11 manufacturers in Britain, France and Belgium in May. Belgium was included because agreement has already been reached on the construction of dedicated high-speed tracks to Paris and Brussels.

The through-trains will carry passengers only. Shuttle trains owned and operated by Eurotunnel, the Anglo-French consortium building the tunnel, will carry cars and lorries.

The main British companies invited to tender were British Rail Engineering, a subsidiary of the British Railways Board, Brush Electrical Machines, part of the Hawker Siddeley group, GEC Transportation Projects, and Metro-Cammel.

The four liaised on the technical and design problems of the tunnel rolling stock in the early stages of the project, and an all-British joint bid for the contract was thought possible.

Both GEC Transportation and BREL have approached Alsthom for exploratory talks, although no formal agreement on a joint bid has yet been reached.

Other leading companies invited to bid with Alsthom were De Dietrich of France and Constructions Metalliques et Ferroviaires and ACEC of Belgium.

Market leader Alshom's Train à Grand Vitesse

The contract is for a fleet of *40 fixed formation trains* capable of operating at 180 mph, with engines at each end and about 15 coaches, providing space for about 770 passengers with restaurant and buffet facilities.

The trains must be capable of operating on four separate power *supplies from both over*head and trackside sources and will be built to the British loading gauge rather than the more widely used European gauge in order to operate on UK tracks.

The order will be placed jointly by the three national railway authorities — British Rail, SNCF of France and SNCB of Belgium—each of which has to approve all the companies involved.

This has always meant that a single-country bid was unlikely to succeed, although British Rail is committed to competitive tendering and value for money and would have found it difficult to reject a technically superior all-French consortium.

Railway managers say they are coming under increasing political pressure for a consortium including companies from all three countries, with the possible addition of West Germany, which is expected to be added to the list of through train destinations once the tunnel is operating.

The model most frequently cited for the rolling stock consortium is the Anglo-French-West German Airbus Industrie. Further pressure was applied publicly during the final tunnel signing ceremony in Paris by Mr Jacques Douffiagues, French Transport Minister.

The railway companies are also being pushed towards an international consortium by technical pressures, principally in connection with the bogies on which the trains will run.

The specification insists the rolling stock must be built with technology already proven or capable of being proved quickly on an existing main line railway to avoid embarrassing delays which might be caused by what one manager refers to as "blue skies technology."

In practice, this limits the choice of bogie to two—a modified version of that used on either the Japanese Shinkansen "bullet train" which is thought unlikely to be politically acceptable or that used on the TGV.

The only other contender is the bogie being developed for use on the West German high-speed train. The fastest British-built bogie is that developed by BREL for British Rail's High-Speed Train, which runs at only 125 mph.

The TGV bogie was designed to run on specially laid dedicated track and would have to be modified to run on standard British tracks.

This is because a dedicated line similar to those planned to Brussels and Paris has been ruled out by British Rail. Sir Robert Reid, British Rail chairman, believes the immense cost could not be justified by the small time savings available.

British Rail is in any case planning to run through-trains to Scotland and the north of England, not stopping at London, which would have to run on existing track.

Engineers say the necessary *modifications to the TGV bogey* are unlikely to present insuperable technical difficulties but would almost certainly require British participation. One solution being touted is that the bogie could be built under licence in Britain.

There is a further reason why the TGV bogie has a head start: SNCF has a financial interest in its success through an agreement giving it a share in the design and sales rights, and the right to use it on French tracks without payment to Alsthom.

The three railway organisations are expected to move quickly towards the formation of a consortium now that the final Anglo-French ceremony is out of the way — though agreements are unlikely to be signed until Eurotunnel has succeeded in raising £5bn in loans and standby credits, and £750m from share sales.

BR and SNCF have already *reached a deal with Eurotunnel* on the fees to be paid for the use of tunnel tracks, and are expected to announce agreement shortly on the division of fare revenue from the through trains—expected to be weighted in favour of SNCF because of the greater French investment in track and *infrastructure*.

Letters are expected to go out shortly to the nominated rolling stock companies asking them to make a formal initial response to be followed by talks on the detailed specifications.

The order is expected to be placed early in 1989 so on-track *testing can begin in 1991*, well ahead of the projected opening of services in 1993.

Consultancy sees no barriers to gross deposit personal pensions

BY ERIC SHORT

THERE should be no barriers to building societies offering gross deposit personal pensions to employees under the new pensions environment, according to Towers, Perrin, Forster & Crosby, the pension and *employee benefit consultancy*.

It claims that any problems that could have arisen will be negated by the Inland Revenue's requirement that this type of pension policy will have to be set up under an irrevocable trust.

The 1986 Social Security Act, which will enable employees to make their own pension arrangements through personal pensions, also gave banks and *building societies the right* to market the savings element of personal pensions.

However, lawyers at the Building Societies Commission have asserted that under the Building Societies Act a deposit-based personal pension cannot be construed as a deposit, since the investor in a personal pension can only take up to 25 per cent of the accumulated deposit savings in cash, *the remainder having to* be taken as an annuity.

Towers, Perrin argues that since the investments on a personal pension are held by the trustees on behalf of investors, then on retirement the deposit would be paid to the trustees, who would then themselves apply the money—in accordance with the rules of the trust—to purchase an annuity.

The Building Societies Association *said* that it was aware of the Inland Revenue's requirements, which were only published last week, and was examining the implications.

However, the other restriction on societies marketing personal persons is that in the BSA's interpretation of the 1986 Building Societies Act as subsequently amended, deposit-based personal person investments would be classified as wholesale funds.

The association disputed Towers, Perrin's assertion that they would qualify as retail funds.

UK NEWS

'Difficulties' in nuclear industry may cost £100m

BY MAX WILKINSON, RESOURCES EDITOR

DIFFICULTIES IN commissioning Britain's newest gas-cooled nuclear reactors and more expensive reprocessing of nuclear fuel are expected to cost the electricity industry aout £100m this year.

Lord Marshall, chairman of the Central Electricity Generating Board, said yesterday that it had not een decided whether to pass this cost on to consumers.

The extra costs resulting from the nuclear problems represent about 1 per cent of the industry's annual sales. The question whether tariffs should be raised or payments to the Government reduced will be the main subject for the industry's annual duel with the Treasury in the next two months.

About half the additional cost arises from persistent problems with the advanced gas-cooled reactors including fuel loading mechanisms. The other half arises from more expensive methods for reprocessing spent fuel by British Nuclear Fuels. This results from tightened procedures following a safety review ordered by the Government.

In spite of the CEGB's nuclear problems, the industry yesterday reported a record operating profit of £1.15bn for 1986-87, with pre-tax profits up 72 per cent at £713m.

The improved financial performance mainly reflected the agreement with British Coal last year for a cut in power station coal prices to reflect the collapse in world oil prices.

The CEGB had threatened to start up its big oil-fired power stations to displace coal stations unless British Coal came into line. The board's annual report yesterday showed that it paid £3.44bn for coal supplies last year, a reduction of £244m on the amount in the previous year.

Sir Philip Jones, chairman of the Electricity Council which oversees the whole industry, said it was well on course to achieving the financial target agreed with the Government of an average real return on capital of 2.75 per cent a year. Last year's return was 3.2 per cent.

He also pointed out that electricity prices had fallen by about 15 per cent in real terms during the last five years, with a fall of 7 per cent last year.

He said some 13 GW of additional power plant (equivalent to about 10 new stations) would be needed by the end of the century. He hoped this would include a family of pressurised-water reactors as well as new coal-fired stations.

Press gag over Wright allegations tightened

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

THE LAW LORDS yesterday reimposed by a 3-2 majority an injunction preventing the media in Britain from reporting allegations by Mr Peter Wright, a former MI5 officer.

They also extended the ban beyond what had been sought by the Government by ruling that the injunction would cover any references to Mr Wright's allegations made during the current hearing in the New South Wales Appeal Court.

Only when the Australian appeal judges give their judgment on the Government's challenge to the New South Wales Supreme Court's refusal to stop the publication in Australia of Mr Wright's book, Spycatcher, will British newspapers be able to report the allegations—and then only if they are referred to in the judgment.

Lord Templeman, one of the majority in the Lords, said: "I am not prepared to have the substance of what this House has ordered being set at nought by something happening in Australia over which we have absolutely no control."

Lord Bridge, the presiding Law Lord, said the five Law Lords would give their reasons as soon as possible, perhaps in September.

Supporting the ruling were Lord Brandon, Lord Templeman and Lord Ackner. Lord Bridge, a former chairman of the Security Commission, and Lord Oliver said that they would have lifted the restrictions on the newspapers.

The case came to the House of Lords on appeal from the Court of Appeal's decision on Friday last week to impose a half-way house injunction. That allowed newspapers to publish "a summary in very general terms" of Mr Wright's allegations but barred direct quotations from Spycatcher or any statements made by Mr Wright.

The Appeal Court overturned the decision by Sir Nicholas Browne Wilkinson the Vice-Chancellor, in the High Court to end temporary injunctions made in July 1986, against the Guardian and the Observer, and to refuse to renew an injunction stopping The Sunday Times serialising Spycatcher.

Sir Nicholas said it would "make an ass of the law" to continue the injunctions when Spycatcher had been published in the US and copies were being brought into the UK with the Government making no attempt to stop them.

The Court of Appeal acknowledged that the situation had changed since the injunctions had been granted last year to Sir Patrick Mayhew, the Attorney General. Because of the US publication everyone who had an interest in Mr Wright's allegations must be assumed to have bought a copy of Spycatcher, the appeal judges said.

However, said Sir John Donaldson, the Master of the Rolls, "It is quite another matter to allow Mr Wright and those assisting in the commercial exploitation of his allegations to profit thereby when, prima facie, that involves a gross breach of Mr Wright's duty of confidentiality."

The Appeal Court's ruling satisfied neither side. The Attorney General asked the Law Lords to reimpose the original ban; the newspapers wanted the Vice-Chancellor's decision restored. In the event the Law Lords in effect widened the July 1986 injunctions.

When the Law Lords announced their decisions yesterday there was some initial confusion about what they proposed.

Lord Bridge first said that the majority wanted to delete a proviso in the original injunction that fair and accurate reports of proceedings in parliament or the UK or Australian courts concerning the Wright allegations would not break the injunction.

Lord Bridge observed: "It is a very substantial extension of the ban to which the majority propose the British media should be subject. It would be contempt of court to publish anything said in parliament in this country or anything said in open court in Australia."

Those points had not been raised during the hearing, Lord Bridge added.

Mr John Mummery, for the Attorney General, said he had no instructions to go beyond what he had said at the hearing.

Mr Charles Gray, QC, for the Guardian and Observer said that such a restriction would be a very serious and unique encroachment on the traditional right of the British press to report proceedings in their own parliament.

Lord Templeman said that was not the intention.

Mr Anthony Lester, QC, for The Sunday Times, asked if it was appropriate to debar the press from reporting on matters in open court in Australia.

"I know of no principle which would justify a restriction of that kind," Mr Lester said.

The Law Lords then retired to consider the matter. On their return Lord Bridge said the majority was content that the proviso permitting reports of parliamentary proceedings should remain.

"The majority are of the opinion that the House, suo moto, should remove from the protection of the proviso matters disclosed in open court in the course of the NSW proceedings to avoid — and the words are the words of the majority which I have been invited to express—'to avoid the risk of their lordships' order being frustrated by events in New South Wales over which this House has no control.'

"The majority accept that it would be inappropriate not to retain the proviso allowing the reporting of any judgment in the New South Wales action," Lord Bridge said.

Mr Lester asked if that meant that, while able to report the judgment in Australia, newspapers could not report anything contained in Mr Wright's book which might be read out in the Australian proceedings.

That, said Lord Bridge, was correct. Newspapers could not report "any comment, any argument, any evidence, anything said, whether from the bar or the bench, in the course of the New South Wales proceedings which would be a breach of the injunction."

Spy book 'no harm to Australian security'

THE AUSTRALIAN public interest outweighed national security considerations in deciding whether to allow publication of Mr Peter Wright's memoirs as a spy catcher for MI5, the former secret agent's lawyer told the New South Wales Court of Appeal yesterday, writes Chris Sherwell, in Sydney.

Mr Malcolm Turnbull, representing both Mr Wright and Heinemann Australia, the book's publisher, was seeking to answer queries from the three-man bench concerning a declaration by the Canberra Government that publication would be detrimental to Australia's interests.

The court is hearing an appeal by the British Government against a decision in March by Mr Justice Powell in the state supreme court refusing an injunction to prevent publication of Mr Wright's memoirs.

Mr Turnbull said the public interest was not always the same as national security and was not sufficient to bar publication. If it was, there would be no history but official history.

In this case, he added, the evidence showed that publication would not damage national security. "We do not dispute that a book by a former MI5 agent could be damaging," he said. "We say this is not such a book and that MI5 would not be damaged by such a book."

The problem, Mr Turnbull acknowledged, was that the British Government had refused to detail its objections to the book's contents, despite being invited to do so.

It was fighting on the principle that an "insider" should not disclose confidential information — even though, in the view of the defence, Mr Wright's book contained no such information.

All three judges again made it clear yesterday that Mr Turnbull had to demonstrate that the Australian Government's assertions regarding national security were incorrect.

"It is the eye of the needle," Mr Justice Michael Kirby said. Mr Justice Michael McHugh, in a key observation, said the issue was not whether the contents of Mr Wright's book were detrimental to national security, but whether the fact that a former MI5 officer had written it might be.

Abbey to cut rate for existing mortgages

BY HUGO DIXON

The move follows criticism of Abbey for treating new and existing borrowers differently, but it is uncertain whether other mortgage lenders will follow its lead in what has become a fragmented industry.

Halifax, Britain's largest building society, is the only other society to have reduced its rate for new borrowers — to 10.8 per cent. Mr David Gilchrist, general manager for strategic planning, said: "Our intention is to reduce our rate for existing borrowers on September 1 but we are not ready to say what that rate will be."

By contrast, Mr Tim Melville-Ross, chief executive of Nationwide, the third largest building society, said it would be "barmy" to cut rates. "The present rate structure is right," he said.

Mr John Bayliss, Abbey's general manager, said the rate had been cut because of the need to compete with mortgage lenders outside the building society industry, which have been marketing home loans aggressively this year.

National Westminster and Lloyds banks are offering rates of 10.5 per cent and 10.8 per cent respectively to both new and existing customers. Household Mortgage Corporation and Mortgage Corporation, two specialist mortgage lenders, are lending at 10.4 per cent and 10.1 per cent respectively for new and existing borrowers.

The building society industry is divided on how to respond because of its problems in raising funds from small retail investors. Under last year's Building Societies Act, they are not allowed to raise more than 20 per cent of their funds from wholesale markets. Some are nearing this limit and are afraid they will not be able to satisfy mortgage demand if they lower interest rates.

Mr Bayliss left it open whether Abbey would reduce the rates it pays investors. These would not, however, be cut by more than half a percentage point because of the need to remain competitive, he said.

Clydesdale Bank last night announced it was reducing its mortgage rate for all borrowers from 11.25 per cent to 10.75 per cent from tomorrow.

Tabloid buys Morning Star office

By Raymond Snoddy

MR DAVID SULLIVAN, owner of Sunday Sport, the successful sex, news and sport tabloid, has bought the headquarters of the Morning Star, Britain's Communist daily as the platform to launch a new national daily.

The Morning Star said yesterday that in the face of increasing cash-flow problems it had no alternative but to sell its seven-storey headquarters in London's Farringdon Rd and to move to smaller, less costly, premises.

A Morning Star statement said it had sold the premises to a company called Bradmore Press and gave no hint that the purchaser was one of the brashest exponents of tabloid journalism.

Mr Michael Gabbert, editorial director of Sunday Sport, said the Daily Sport would be launched either this October or in late February. The timing would depend on how quickly printing contracts could be negotiated.

Mr Gabbert, a former deputy editor of the News of the World, said yesterday that the new paper will have more news and less sex than Sunday Sport but more glamour than either The Sun or The Star.

Sunday Sport, it is believed, paid £2.5m for the building and believes it is a sound property investment as well as a good headquarters for expansion.

Mr Gabbert designed Sunday Sport in an office above his garage. The paper has built up a circulation of 500,000 with a total journalistic staff of nine and original investment of £150,000.

Mr Sullivan has been in talks with several potential backers including a number of established national newspaper groups. Lord Rothermere's Associated Holdings has refused to deny it has had talks with Mr Sullivan.

If Mr Sullivan goes ahead with properly financed plans to launch a new national colour tabloid aimed aggressively at a market slot below anything that currently exists, it could have serious consequences for both The Sun and The Star.

The political slogans will be replaced by girlie pictures at 75 Farringdon Road on November 7.

City overseas earnings soar

BY JANET BUSH

BRITISH financial institutions contributed a record £9.4bn in overseas earnings last year, substantially higher than the £6.6bn total in 1985, according to figures released yesterday by the Central Statistical Office.

It is difficult to tell from the figures what impact there has been from the vastly increased turnover in securities dealing since the deregulation of London financial markets in October last year.

According to an article published yesterday by the Bank of England on banks' overseas earnings from financial services, a change in the reporting of statistics makes it difficult to gauge the contribution of the new securities conglomerates.

The Bank's figures show earnings from financial services rose to £1.2bn last year compared with £726m in 1983 when its last survey was conducted.

On the one hand, the Bank acknowledges that the 1986 total may understate actual earnings as greater specialisation has led many banks to hive off their securities business to non-bank subsidiaries, not included in the data. On the other hand, there is evidence of a squeezing in margins because of greater competition.

The Bank, with the Trade and Industry Department, is trying to establish a reporting system for securities dealers which should capture the business missing under present methods of data collection.

Within total overseas earnings by financial institutions, the strongest growth in 1986 was in the insurance sector. Overseas earnings of insurance companies rose to £4.3bn in 1986 compared with £2.9bn in 1985 and £2.2bn in 1984.

Insurance underwriting earnings were particularly buoyant, rising from £500m in 1984 to £1.7bn in 1986. The improvement in overseas insurance profitability — particularly in the US — is seen in a strong recovery in the earnings of overseas subsidiaries of British insurance companies to £723m in 1986 compared with only £43m in 1985.

Claims against Oceanus reinsurers dismissed

BY NICK BUNKER

THE \$350m (£219m) insolvency of Oceanus, a Bermuda-based insurer, has reached an important stage with the dismissal by the Court of Appeal in London of claims by its creditors against seven French reinsurers.

The court dismissed the claims on Wednesday because Touche Ross, the accountancy firm liquidating Oceanus, failed to raise the £1m required to fund the costs of a lengthy legal action.

The creditors run into hundreds and include Lloyds Bank. They had been claiming that Oceanus was owed more than \$100m by the seven French underwriters, which were named as Via Assurances, L'Europe, GFA, Hansa, Finska, AGF and GAN.

The Oceanus case dates from March 1984, when the insurer was wound up by authorities in Bermuda. Its full name was Oceanus Mutual Underwriting Association. Founded in 1971, it was a "protection and indemnity club" providing legal liability insurance for more than 500 shipowners when it became insolvent with gross liabilities of between \$300m and \$400m.

The case became a cause celebre in the international insurance and reinsurance community. It was one of the biggest among a large number of insolvencies affecting offshore insurance and reinsurance companies which have emerged since the early 1980s and generated complex international litigation.

The French underwriters became involved because they had provided Oceanus with reinsurance cover. Mr Christopher Morris, of Touche Ross, said that for 18 months the creditors had been trying to raise £1m, of which £700,000 was to provide security for the French underwriters' legal costs. They had succeeded in raising only \$1m, which was itself "an unprecedented sum," Mr Morris added.

He said, however, that the creditors still had further claims waiting to be heard in London.

Holmes, Fenwick and Willan, a London law firm acting for the French underwriters, said the liquidators' problems had begun last October, when the High Court gave the French companies leave to claim fraud by Oceanus.

CBI joins call for computer hacking ban

By David Thomas

THE CONFEDERATION of British Industry yesterday lent its weight to demands to ban unauthorised access to data stored in computers, known as computer hacking.

The CBI earlier this year set up a computer forum to consider what action could be taken on this issue. Speaking at the forum's first meeting yesterday, Mr Kenneth Edwards, CBI deputy director general, said: "Computer hacking is a new and worrying crime. The losses to companies who suffer at the hands of the hackers can be substantial and current cupy-wholly inadequate to deal with the problem."

Natwest to open branch in Gibraltar

NATIONAL WESTMINSTER BANK is to open in Gibraltar next year, offering a comprehensive banking service to the local community and expatriates living in southern Spain.

A full branch will operate substantially the same as any in the UK while a finance company subsidiary will specialise in sterling and currency term deposits

It is planned to absorb deposits currently held by Lombard North Central from Gibraltar customers, although NatWest stressed that this would require the approval of present depositors.

Scottish textiles group to build £6m factory

By Alice Rawsthorn

DON & LOW, a Scottish textiles company, plans to invest more than £9m on the introduction of non-woven fabrics and expansion of its existing weaving business.

The company, a subsidiary of Shell UK, intends to build a £6m factory on a greenfields site at Forfar, Tayside. The plant will make non-woven, spun-bonded fabric from polypropylene.

Production will begin in October and the factory should be fully operational by autumn 1988. An initial 30 jobs will be created but the company expects to employ more people as it expands its production of non-wovens.

Don & Low intends its new products to break into the lucrative industrial textiles markets dominated by mainland European producers.

The company is investing £3m to expand its established business of polypropylene extrusion and weaving.

Falklands Islands 'about to become self-financing'

BY ROBERT MAUTHNER

THE Falkland Islands are on the threshold of self-financing thanks to the 150-mile fisheries conservation and management zone established in October 1986, Mr Gordon Jewkes, the Governor said yesterday.

Presenting the annual report of the Falkland Islands Development Corporation, of which he is chairman, Mr Jewkes said that probably for the first time in their history the Falkland Islands had a source of income which should provide a sizeable surplus over expenditure.

Income from licences to fishing fleets had generated about £14m in the first half of this year, twice as much as the island's entire budget, excluding fishing, for 1987. In the second part of the season, an additional £2m was expected to come from this source.

During the first half of 1987, 200 fishing vessels of various nationalities were licensed to fish within the zone and another 90 licences were expected to be granted for the second half.

Mr Jewkes stressed that fears that the creation of the zone would lead to tension between Britain and foreign governments had not materialised. Since the zone had been introduced, everything had been peaceful and orderly "both within and without." There had been no clashes between Falkland Islands fisheries protection vessels and Argentine naval patrols.

The overall effect of the steps which had been taken by Britain following the conflict with Argentina in 1982 had been to stem the economic and demographic decline of the Falkland Islands. The resident population had risen from about 1,800 in 1980 to 1,900 at present, of whom some 1,300 were "original Falkland Islanders."

The Falkland Islands Development Corporation, which is funded to the tune of some £2m a year by the Overseas Development Administration, had been channelling investments into port and bunkering facilities and cold store and fish processing operations. Stanley Fisheries, the corporation's fisheries arm, was rapidly becoming one of the largest trading ventures in the islands.

Tebbit aide resumes business career

MR MICHAEL DOBBS, chief of staff to Mr Norman Tebbit, Conservative Party chairman, is to leave Tory headquarters this week and return to Saatchi & Saatchi, the communications and business services group.

Mr Dobbs said when he left Saatchi for Conservative Central Office in 1986 that he would resume his business career after the general election. He is to assume responsibility for Saatchi's international corporate communications operations but will continue as a consultant to Mr Tebbit.

Drug importers win European hearing

THE ASSOCIATION of Pharmaceutical Importers is to take its battle against government policy on "parallel importing" of cheaper pharmaceutical products to the European Court of Justice.

Three Appeal Court judges yesterday granted the association's request for a reference to the court for a preliminary ruling.

Canadian brewer seeks large share of lager sales

BY LISA WOOD

A LEADING Canadian food and drinks company is attacking the UK lager market with the aim that its product will be among the top five brands within five years.

Labatt Brewing, John Labatt's brewing subsidiary, announced in May that Shropshire-based Greenall Whitley, one of the largest regional brewers, was to produce and distribute Labatt lager for its own public houses and free houses in the north-east.

Mr John Morgan, president of Labatt Breweries of Europe, said yesterday: "We are about to sign up another regional brewer and there are six others in the pipeline. A further four or five are interested in selling our lager."

Labatt has been looking at the British beer market for some years, identifying it as a beachhead for sales throughout Europe. Lager sales in Britain account for more than 40 per cent of the £9.6bn-a-year beer market.

The group considered a brewing acquisition but decided it did not want to get involved in owning public houses.

Labatt identified the potential for sales of its lager as being to regional brewers, many of which do not have their own brands but buy lager from main brewers.

City analysts have identified the lack of strong own-brewed brands as a weakness for many regional brewers because profit margins are reduced and their own brewing capacity is not utilised.

Regional brewers with their own lager brands have often found it difficult to compete against nationally-advertised brands. Regional brewers account for an estimated 23 per cent of all lager sales.

Mr Morgan said: "We bring to regional brewers a world class product and our experience in brand marketing." He claimed brewers such as Labott were more experienced in brewing a product the customer wanted than were many British brewers who had guaranteed distribution outlets in their own tied public houses.

"The objective of Labatt lager being one of the top five lager brands in Britain in the next three to five years sets us a target," said Mr Morgan. "We have seen nothing to suggest what we want to do is impossible."

Lager is the growth area in a static British beer market. The brand leader is Bass's Carling Black Label, with an estimated 16 per cent of the market. The strategy of most foreign brewers has been to franchise their product to one of the big brewers — as was Carling Black Label before it was sold to Bass last year by Carling O'Keefe, the Canadian brewer. Most large brewers make and sell more than one foreign-owned lager.

BT wins big management contract from RAF

By David Thomas

BRITISH TELECOM has won a multi-million-pound contract to manage a key part of the Royal Air Force's programme to modernise its telecommunications network.

BT will manage the installation and commissioning of 90 digital exchanges and 14,000 telephones.

The equipment, which is radiation-resistant, is being supplied by the General Electric Company, the electronics group.

GEC is the prime contractor for the introduction of the RAF's digital network, known as Uniter, which is costing more than £100m and which stretches into the 1990s.

The BT contract is the largest single part of Uniter. No one would comment on its cost but it is believed to be between £30m and £50m, more than half of which will go to GEC for the equipment.

GEC, as prime contractor, gave BT the deal after a competitive tender. Plessey and Thorn-Ericsson are understood to be among the groups rejected.

BT is believed to have been preferred partly because it is well-placed to manage the installation of a network covering a large number of sites. Uniter will serve more than 50 UK sites in all.

Mr Nick Kane, BT director of customer marketing, said: "This is one of our largest defence contracts yet and a milestone in the development of BT's strategy as a supplier of large integrated networks."

GEC is close to awarding Uniter project contracts for local area networks and for network management.

Earlier this year, the Ministry of Defence made BT prime contractor for the £130m project providing the external network linking up the RAF's sites in its modernised communications system.

Executives in New York lead on pay

By Michael Skapinker

A NEW YORK managing director with two children still pays more of his salary in tax than his British counterpart, in spite of radical tax changes introduced by the Reagan Administration, according to a survey by Inbucon, the management consultancy.

The survey found that the average tax rate of a US managing director of a company with a turnover of £15m is 44 per cent, compared with 37 per cent in Britain and 30 per cent in France. The reason for the high US rate is that the full effect of changes in the tax system has not yet been felt, Incubon said.

The most heavily taxed managing directors in the 20-country survey were the Danes, at 66 per cent, closely followed by the Swedes.

New York managers have the highest take home pay in the world in spite of their relatively high tax rate. A typical New York managing director earns $174,000 (£108,750) a year gross, the survey found.

British managing directors have a significantly lower level of take-home pay, adjusted for living costs, than their counterparts in Switzerland, France, West Germany or Italy. However, their take-home pay, adjusted for living costs, is not far behind that of managing directors in Japan, the Netherlands or Spain.

International Taxation and Living Costs 1987. Inbucon International Salary Research, Inbucon Management Consultants, Knightsbridge House, 197 Knightsbridge, London SW7 1RN. £145.

Roll of honour: (from left) Norman St John-Stevas, Roy Jenkins, Sir James Callaghan (life peers), Clement Freud (knight) and Dame Judith Hart (peer)

Thatcher adds to critics in Lords

BY PETER RIDDELL, POLITICAL EDITOR

AFTER WEEKS of speculation, the dissolution honours list turned out to be conventional. There were no hereditary peerages, or surprise nominations.

Those who might expect to be honoured have been, though in the process Mrs Thatcher has strengthened the ranks of her potential critics in the Lords.

Dissolution lists are different from either the familiar half-yearly New Year's and Birthday honours lists or the occasional lists of working peers. Dissolution honours are primarily intended for those who left parliament at the previous general election, and this applies to all but two of yesterday's list.

The convention has been that retiring MPs who have been Cabinet ministers are entitled to life peerages. An unusually large number of former Cabinet members left the Commons in May and all 11 such Tories receive life peerages. This includes not only close supporters of Mrs Thatcher such as Sir Keith Joseph and Sir Humphrey Atkins but also past critics such as Mr James Prior, Mr Francis Pym and Mr Geoffrey Rippon.

Government officials gleefully pointed out yesterday that, in spite of one or two press stories, not only had there never been any question of giving Lord Hailsham, former Lord Chancellor, a hereditary peerage, but it would have been against the law. Under clause three, subsection two of the Peerage Act 1963, it is not possible to give a hereditary peerage to someone who has renounced a hereditary title as Lord Hailsham did in 1963. However, he could, and was in 1970, given a life peerage.

The overall size of the list, at 24, is only one more than after the 1983 election, but the large number of ex-Cabinet ministers has squeezed out the distinguished backbenchers, the knights of the shire and the suburb, who featured four years ago. Hence prominent ex-MPs such as Sir Edward du Cann, Sir Anthony Kershaw, Sir Edward Gardner and Sir Ian Percival will have to wait their turn.

The opposition parties put forward names in rough proportion to their parliamentary size, though with exceptions for eminent people such as former Prime Minister Sir James Callaghan who becomes a life peer as did Lord Wilson in 1983.

The other Labour nominations include former Cabinet ministers Dame Judith Hart, Mr Roy Mason, Mr Michael Cocks, a former Chief Whip, and Mr Douglas Jay who was surprisingly left out of Labour's list in 1983 when he left the Commons, together with Mr Jack Dormand, the highly regarded former chairman of the Parliamentary Labour Party.

Each of the Alliance parties has a nomination: Mr Roy Jenkins for the SDP — ironically, after consultation with his current opponent Dr David Owen, the party leader — and Mr Stephen Ross for the Liberals.

Otherwise, there are four knighthoods — three for former Tory MPs, including Mr Reg Prentice, who served in Labour Cabinets in the 1970s before crossing the floor, and one, unexpectedly, for Mr Clement Freud of the Liberals.

Mr Norman Tebbit, Conservative Party chairman, who left the Government after the election, receives the rare award of Companion of Honour. This is intended as a special mark of prime ministerial approval; Lord Whitelaw being a previous recipient.

LIFE PEERS

Dame Judith Hart: Minister for Overseas Development, 1977-79. MP for Lanark 1959-83 and for Clydesdale 1983-87.

Sir Humphrey Atkins: Lord Privy Seal and deputy Foreign Secretary 1981-82. Northern Ireland Secretary 1979-81.

Sir James Callaghan: Prime Minister 1976-79. Foreign Secretary 1974-76. Home Secretary 1967-70. Chancellor of the Exchequer 1970-72.

Mr Mark Carlisle: Education Secretary 1979-81. Home Office Minister of State 1972-74.

Mr Michael Cocks: Parliamentary Secretary to the Treasury and Government Chief Whip 1976-79. Opposition Chief Whip 1979-85.

Mr John Dormand: Lord Commissioner at the Treasury 1974-79. MP for Easington 1970-87.

Mr Douglas Jay: President of the Board of Trade 1964-67. Financial Secretary to the Treasury 1950-51. Economic Secretary to the Treasury 1947-50.

Mr Patrick Jenkin: Environment Secretary 1983-85. Industry Secretary 1981-83. Social Services Secretary 1979-81.

Mr Roy Jenkins: Chancellor of the Exchequer 1967-70.

Sir Keith Joseph: Education Secretary 1981-86.

Mr Roy Mason: Northern Ireland Secretary 1976-79.

Mr James Prior: Northern Ireland Secretary 1981-84. Employment Secretary 1979-81.

Mr Francis Pym: Foreign Secretary 1982-83. Lord President of the Council and Leader of the Commons 1981-82. Defence Secretary 1979-81.

Mr Peter Rees: Chief Secretary to the Treasury 1983-85.

Mr Geoffrey Rippon: Environment Secretary 1972-74.

Mr Stephen Ross: MP for Isle of Wight 1974-87.

Mr Norman St John-Stevas: Chancellor of the Duchy of Lancaster and Leader of the Commons 1979-81. Arts Minister 1973-74.

Mr Peter Thomas: Welsh Secretary 1970-74.

KNIGHTS

Mr Clement Freud: MP for Cambridgeshire North East 1983-87 and for Isle of Ely

Mr Albert McQuarrie: MP for Banff and Buchan 1983-87 and for Aberdeenshire East 1979-1983.

Mr Tom Normanton: MEP for Cheshire East since 1979. MP for Cheadle 1970-87.

Mr Reg Prentice: Health and Social Security Minister of State 1979-81.

COMPANIONS OF HONOUR

Mr Norman Tebbit: Chancellor of the Duchy of Lancaster 1985-87. Trade and Industry Secretary 1983-85. Employment Secretary 1981-83.

Range Rover US sales 'on target'

By Kenneth Gooding, Motor Industry Correspondent

RANGE ROVER of North America, a subsidiary of the state-owned Rover group, will chalk up sales worth more than $70m (£43.76m) this year, according to Mr Charles Hughes, company president.

The company is on target to sell 3,000 Range Rovers this year "and the dealers say they could take 6,000," he said. However, the vehicles had been on sale in the US only since March and it was too early to consider making adjustments to the original sales forecasts, said Mr Hughes at the Automotive News congress in Detroit.

Range Rover's order backlog has held steady at about 600 in spite of a 3.5 per cent price increase in June which took the price to $31,900, a level high enough to raise a few eyebrows.

Mr Hughes said: "We did a great deal of research on the price. The Range Rover is a superior product and the price shows we believe that."

Promotional material for the Range Rover in the US points to the fact that the vehicle has four royal warrants in Britain.

Mr Hughes said he expected his company to be profitable in its third year of operation, when sales should reach an annual 5,000, according to current targets.

There were 36 Range Rover dealers in the US on the launch day, 10 more were added this month and another 18 will be signed in October.

MoD hits back at environmentalists

BY RALPH ATKINS

THE MINISTRY of Defence yesterday fired the propaganda version of a guided missile at critics who claim the armed services are destroying Britain's natural environment.

The explosive is a glossy brochure illustrating the ministry's contribution to the European Year of the Environment. Its aim is to convince doubters that the ministry's business can be done tidily.

The job of the armed forces, it seems, is not only the defence of the realm, but also the protection of thousands of species of birds, butterflies, spiders, mammals and snakes.

Mr Roger Freeman, Under Secretary for the armed forces, said: "As probably the third largest landowner in the country we have a very important role to play in preserving and protecting our landscape."

The ministry has a team of three, backed by about 5,000 local volunteers, who monitor wildlife on the 591,000 acres of land it controls around the country.

Conservation is a priority, second only to the needs of the armed services, the ministry says. It claims military use does less damage to natural fauna and flora than intensive farming techniques.

The Royal Armoured Corps Range in Castlemartin, Wales, for example, is used each winter by 12,000 sheep, 200 cattle and armoured divisions of the West German army.

The coastal site boasts the largest colony of little terns in Europe and, at peak times, 20 per cent of the world's population of dark-bellied brent geese.

The proof and experimental establishment in Eskmeals, Cumbria, provides an important breeding site for the rare natterjack toad.

Deer on the ranges of the Royal Armoured Corps Gunnery School in Lulworth, Dorset, have learnt where it is safe to graze and rarely stray across firing lines.

But sheep probably exhibit the greatest indifference. Even when a colleague is accidentally blown up, they are reported to just move a short distance to less disturbed grazing land. The farmer receives money as compensation for casualties.

FT LAW REPORTS

Division of family business is invalid

BRADY AND ANOTHER v BRADY AND ANOTHER
Court of Appeal (Lord Justice O'Connor, Lord Justice Croom-Johnson and Lord Justice Nourse): July 29 1987

A GRATUITOUS transfer of half a company's assets to a 50 per cent shareholder is invalid if unauthorised by its memorandum, though the purpose is to divide the company equally between its two shareholders and thus to save it from liquidation through their mutual animosity.

The Court of Appeal so held (Lord Justice Croom-Johnson dissenting) when allowing an appeal from Judge Blackett-Ord's order for specific performance by Mr Bob Brady of an agreement made between him and his brother Mr Jack Brady, for reorganisation of their family company, T. Brady and Sons.

Section 151 of the Companies Act 1985 provides: "(2) . . . where a person has acquired shares in a company and any liability has been incurred . . . for the purpose of that acquisition, it is not lawful for the company or any of its subsidiaries to give financial assistance . . . for the purpose of reducing or discharging the liability . . ."

Section 153: "(2) Section 151 (2) does not prohibit a company from giving financial assistance if — (a) the company's principal purpose in giving the assistance is not to reduce or discharge any liability . . . but an incidental part to some larger purpose of the company, and (b) the assistance is given in good faith in the interests of the company.

LORD JUSTICE O'CONNOR said that two brothers, Jack and Bob Brady, owned a family business. By the beginning of 1983 their animosity and mutual intransigence had put the existence of their business in jeopardy.

In March 1983 Jack asked the court for an order that he be permitted to buy out Bob or that the company be wound up. Bob asked for the same relief against Jack. In July 1983 they agreed to divide the business in half and go their separate ways.

There were two arms to the business, road haulage, and distribution of beers, wines and soft drinks. Jack was to have the haulage arm and Bob the drinks arm. It was recognised that to achieve equality there would have to be some movement of assets from haulage to drinks section of the business.

The agreement between the two brothers was to be found in two documents dated July 2, 1983 and December 2, 1983. To achieve equality it was necessary to value the assets, and the July document made provision for that to be done.

By December the valuations had been made and agreed, and the corporate reorganisation was all but complete. The two arms had been separated, and from the beginning of 1984 each brother had carried on his own business and both were flourishing.

Early in 1984 Bob came to the conclusion that the net asset value had been understated so that he had been deprived of some £300,000. He objected to the *formal* steps necessary to conclude the agreement, and Jack started proceedings for specific performance.

Bob contended that the agreed corporate reorganisation was void for illegality for two reasons: (1) it required Brady to give away its assets for no consideration, something not authorised by its constitution; and (2) it required Brady to finance the purchase of its shares contrary to section 151 of the Companies Act 1985.

Judge Blackett-Ord rejected both contentions and ordered specific performance. Bob now appealed.

For the purpose of the reorganisation the agreed value of Brady was £1,254,116. Half would have to pass from haulage to drinks, namely £627,057.

That transfer was effected by a scheme which included the incorporation of a company which acquired Brady and then incorporated wholly-owned subsidiaries including one called Motoreal which was destined for Jack. Motoreal acquired Brady, incurring a liability of £627,057 of loan stock for the purpose of the acquisition. Brady then gave financial assistance to Motoreal for the purpose of discharging that liability.

It was not disputed that the transfer of Brady assets was in breach of section 151 (2) of the Companies Act 1985, unless it was saved by section 153 (2).

The judge found that the principal purpose of the giving of financial assistance was not to reduce or discharge any liability incurred for the purpose of acquisition of the shares, but was incidental to the larger purpose of the scheme and was given in good faith.

In order to ascertain the principal purpose for discharging the liability one should simply ask "Why did Brady do it?" If the answer were "to help Motoreal acquire its shares," that would not be correct. It was obvious that Brady had no interest whatsoever in helping Motoreal.

There was ample evidence to support the judge's finding that the purpose was to enable Brady to avoid liquidation. There was no dispute about his finding that the assistance was given in good faith.

The transfer of Brady's assets was gratuitous.

Mr Price submitted: (1) that in no circumstances could it be in the interests of a company to give away half its assets; (2) that it could not be in the company's interests to do something which would lay the directors open to a charge of misfeasance.

No firm conclusion was reached on the first proposition. The second was compelling.

The test for misfeasance was to ask whether, in the event of Brady being wound up, the liquidator could recover the assets or their value from the donee and/or the directors.

Even accepting that the principal purpose for making the gifts was to keep Brady in being, the real donee was Bob, who, at the time of the genesis of the scheme of which the transfer of assets was an integral part, was a director and shareholder in Brady.

No general power to make gratuitous transfers of assets could protect this massive gift to Bob, and the liquidator would establish misfeasance. The transfer was not saved by section 153 (2).

The appeal should be allowed.

LORD JUSTICE NOURSE agreeing, said that a company could not give away its assets.

That principle was subject to the qualification that in theory a memorandum of association might authorise a company to give away its assets, but in the real world such a power would never be taken. Brady's general and subsidiary powers could not be construed so as to authorise gratuitous dispositions of such magnitude.

The judge thought the dispositions were consideration because the assets disposed of would be replaced by debts of equal amount due to Brady from Motoreal.

Those debts were worthless and incapable of amounting to consideration.

A company had an implied power to perform any act which was reasonably incidental to continuation of its business. Disposition of half its assets could not be said to be reasonably incidental to continuation of a company's business.

The dispositions were *ultra vires* and were void. It was not accepted that the dispositions were made in Brady's interests. The interests of a company could not be distinguished from the interests of the persons interested in it.

Creditors were interested in the assets of a company as the source of satisfaction of their debts.

Brady remained solvent after the dispositions had taken place and they were made in good faith. But there was no evidence which showed that the interests of creditors were ever considered. The directors never asked themselves whether half the assets would in all eventualities be sufficient to discharge all the existing debts.

The proportion of the assets being removed was so large as to make it essential for that question to be asked. Since it was not asked it could not be said that the directors considered the dispositions were in the interests of the companies. The most that could be said was that they were in the interests of shareholders.

LORD JUSTICE CROOM-JOHNSON dissenting said that Brady benefited if the transfer was to enable it to function profitably by freeing it from the deadlock in which it was held. Brady had at all times been solvent and there were no creditors whose interests required protection. The saving provisions applied because the help given by Brady in buying its own shares would have been given "in the interests of the company."

For Mr Bob Brady: Leolin Price QC and Ian Leaming (Slater Heelis, Manchester).

For Mr Jack Brady: Lord Irvine QC, Nicholas Stewart QC and S. Ward (Birkbeck Montagu's for Alexander Tatham and Co, Manchester).

By Rachel Davies
Barrister

THE PROPERTY MARKET

Buoyancy on Waterside

WHILE Canary Wharf has been stealing the headlines, the first public company to go into the Docklands has been recording a quiet success with its own development on the Isle of Dogs.

Wiggins Group, better known until now as a motor distributor and house builder, sold the first two phases on Port of London Properties' seven-acre site at Waterside for £8.7m, while 16 of the 18 offices in Ensign House, the third pase, were taken before its completion yesterday.

It is also in discussion with some of the larger City stockbroking firms, looking to escape City rents by moving into the group's fourth, largest and most high specification building, Beaufort Court.

Phase One, which consisted of 40 small business apartments of between 500 and 1,400 sq ft at the edge of West India Dock, was completed in early 1986. The selling price—an overall £4.5m—was between £110 and £160 per sq ft, and is now reselling at up to £300. Rents have risen from between £13 and £14 per sq ft to around £23, and compare with City rents of up to £55.

The tenants were professional and service sector businesses eager to take advantage of the lower rents, tax incentives and the Docklands rates free policy until 1992. They ranged from accountants, solicitors and developers to travel agents and financial consultants.

A measure of their success has been the fact that seven are to transfer to larger premises in Ensign House, some keeping their original offices as an investment.

Phase Two was Quay House, now British Telecom's Docklands headquarters, which was sold for £4.2m.

Ensign House offices have sold at between £225 and £265 per sq ft and are letting at around £15 per sq ft. Total sales should reach about £9m.

Mr Simon Knight is a partner in the chartered surveyors, Clapshaws, development consultants to Port of London Properties and sole agents for the scheme. He has fielded 3,000 inquiries and reserved some of the 40 suites for the fourth phase, Beaufort Court, which should be completed in May 1988 at a projected selling price of £13m.

The saving of Canary Wharf has certainly endorsed people's confidence in Docklands, he admits, but points to the occupancy figures as proof that it survived on its merits. "City users have become reluctant to pay up to £55 per sq ft for the type of accommodation available in Waterside for £20, with the bonus of being able to incorporate desired specifications without being restricted by the City planning regime."

Waterside's most ambitious project is South Quay, which will provide up to 500,000 sq ft of mixed office, retail, leisure and residential space, including a marina which should accommodate more than 100 boats, quayside restaurants and possibly a hotel by its completion date of 1990. The site is adjacent to the Docklands Light Railway's South Quay station; its opening in early September should remove some of the reservations about the area's isolation.

Mr Knight is eager to point out that Waterside's parking allocation of one space per 500 sq ft is up to three times better than competing schemes, and far better than in the City.

Docklands business accounts for 30 per cent of Wiggins's turnover, but the proportion is expected to reach 50 per cent by the end of the decade.

Mr Stephen Hayklan, chairman of Wiggins Group, is quietly pleased at the progress made on the Isle of Dogs. "We are going to be the number two developers in the enterprise zone; and we have got off to a flying start."

His grandfather, a marine superintendent for the Royal Main Steam Packet in West India Docks, would no doubt be pleased to find his grandson helping towards the area's regeneration.

Janice Warman

Part of the Wiggins Group's Waterside development on the Isle of Dogs

Canary Wharf and City alternatives

EVERYTHING changed when Olympia & York took on the Canary Wharf project in London's Docklands, yet everything stayed the same.

It changed to the extent that doubts about whether the project, the biggest commercial development in Europe, would go ahead evaporated overnight.

What stayed the same was uncertainty about the relationship of London Docklands to the City of London office market. It could be a competitor. It could be complementary. It could be just another office area, part of the central London office stock.

Now that Canary Wharf is accepted as being more than a twinkle in a developer's eye, resolution of the uncertainty becomes important because there is a great deal of investment and rental money at stake. Not least among the related projects is the Docklands Light Railway, inaugurated in form, if not in fact, yesterday.

The first consideration is that, running into the 1990s, there will be a lot of offices about. The City office of Edward Erdman, the surveyors, calculated that, on the day O&Y signed for Canary Wharf, the total number of permissions for new office buildings in the City came to 7.5m sq ft. Office development in the pipeline in Docklands amounts to more than 17m sq ft.

According to Erdman, Docklands will be the principal source of supply for large new buildings—of 500,000 sq ft plus —after 1988. Canary Wharf would start coming on stream from 1989 onwards; so should as yet unseen plans for City buildings in districts like Fleet Street and London Wall.

In the more relaxed market of the 1990s then, the supply-demand position ought to be in better equilibrium than it is now, bringing greater choice to tenants and a greater stability of rents.

The second consideration is that this relaxation will come on top of a greater fluidity in the market. The City, seen as a financial centre, has spread in all geographical directions. Banks are no longer only in the traditional core. Insurance and shipping companies are no longer just on the eastern side.

The third point is that those companies and institutions which need to be in the City are, as Mr Peter Evans, head of research at surveyors Debenham Tewson and Chinnocks, puts it, "relatively impervious to higher accommodation costs. It will only be those who genuinely can locate away from the centre that will go to Docklands, Bromley or elsewhere."

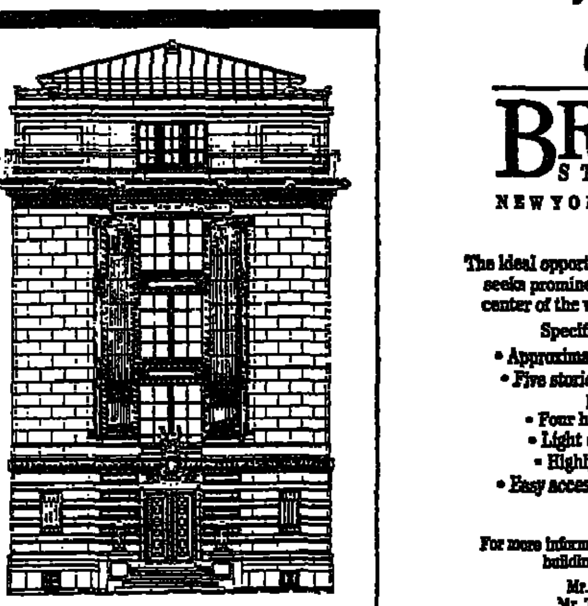
Drawing together these three factors, it seems obvious that Docklands in general and Canary Wharf in particular will compete in the general London office market. Canary Wharf will not simply be a place for the major financial institutions: the attempt to make it that had foundered before O&Y took over.

The expectation is that O&Y will change the profile of Canary Wharf so that it will accommodate not only front but also back office financial activities, and act as a general corporate home. "It is beyond just being a financial centre," comments Mr Chris Peacock at the City office agency of Jones Lang Wootton. It will be more like a busines centre than an alternative City.

In this case, its flavour will be not unlike that of the Wiggins Waterside development, discussed in the accompanying article. But, of course, it will be on a much larger scale.

Early indications are that the demand exists. The Docklands office of Knight Frank and Rutley reported an increase in enquiries for Docklands accommodation after the O&Y takeover, about 70 per cent of which came from the financial sector and its support services.

Paul Cheeseright



Contracts and Tenders

International Property

Company Notices

NOTICE OF PREPAYMENT

AIR FRANCE

Compagnie Nationale Air France

FF7¾% Series B Bonds due 1996
resulting from the exchange of
FF Adjustable Rate Series A Bonds due 1996
issued on July 7, 1986.

In accordance with paragraph "Prepayment at the Option of Air France" of the Terms and Conditions of the Series B Bonds, notice is hereby given that Air France will prepay, on September 10, 1987 the total amount of the Series B Bonds (i.e. FF1,100,000) at 101% of their principal amount together with accrued interest (i.e. FF135.63 per nominal of FF10,000) from July 7, 1987 to the date of redemption.

Payment of principal, interest and premium, being effected prior to the issuance of definitive Bonds and coupons, will be made in accordance with paragraph "Payments" of the Terms and Conditions of the Series B Bonds.

Interest will cease to accrue on the Series B Bonds as from September 10, 1987.

Luxembourg, July 31, 1987

The Fiscal Agent
KREDIETBANK
S.A. LUXEMBOURGEOISE

NOTICE OF ESTABLISHMENT OF THE INTEREST RATE FOR THE THREE-YEAR PERIOD COMMENCING OCTOBER 4, 1987

Department of Posts and Telecommunications

Pretoria, Republic of South Africa

ECU 40,000,000 Retractable Bonds
irrevocably and unconditionally guaranteed by the Republic of South Africa

In accordance with clause (b) of Paragraph "Interest" of the Terms and Conditions of the Bonds, notice is hereby given to Bondholders that for the three-year period commencing October 4, 1987 the Issuer has decided that the Bonds will bear interest at the rate of 8½% per annum.

Luxembourg, July 31, 1987

The Fiscal Agent
KREDIETBANK
S.A. LUXEMBOURGEOISE

REED INTERNATIONAL PLC
Luxembourg Francs 800,000,000
6¼% Bonds 1987

Notice is hereby given that the unamortised amount (i.e. Lux. Fr 80,000,000) of the above-mentioned Bonds will mature on September 10, 1987. The Bonds will be redeemable at par on and after September 10, 1987.
Payment of interest and reimbursement of principal will be made in accordance with the terms and conditions of the Bonds.
Luxembourg, July 31, 1987.

The Fiscal Agent
KREDIETBANK
S. A. Luxembourgeoise

Legal Notice

THE INSOLVENCY ACT 1986
BYPASS LIMITED
Registered No: 1531126

NOTICE IS HEREBY GIVEN that David Alexander Wild and Stephen Martin Blank of Binder Hamlyn, Scottish Provident House, 52 Brown Street, Manchester, M2 2AU, were appointed Joint Administrative Receivers of the above company on 16th July 1987 by Barclay's Bank PLC.
20th July 1987

D. A. WILD, S. M. BLANK
Joint Administrative Receivers

No. 003265 of 1987
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
IN THE MATTER OF
CARLTON COMMUNICATIONS PLC
AND IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice, Chancery Division, dated the 20th July 1987 confirming the cancellation of the Share Premium Account of the above-named Company was registered by the Registrar of Companies on 23rd July 1987.

Dated this 28th day of July 1987,
CLIFFORD CHANCE,
Blackfriars House,
19 New Bridge Street,
London EC4V 6BY.
(Ref: RWC.)
Solicitors for the Company.

MANAGEMENT

EDITED BY CHRISTOPHER LORENZ

SITTING IN the neat offices of Volvo's earthmoving machinery business in the small Swedish town of Eskilstuna, Eric Johanson casts his mind back to the anxieties pre-occupying the company in the early 1980s.

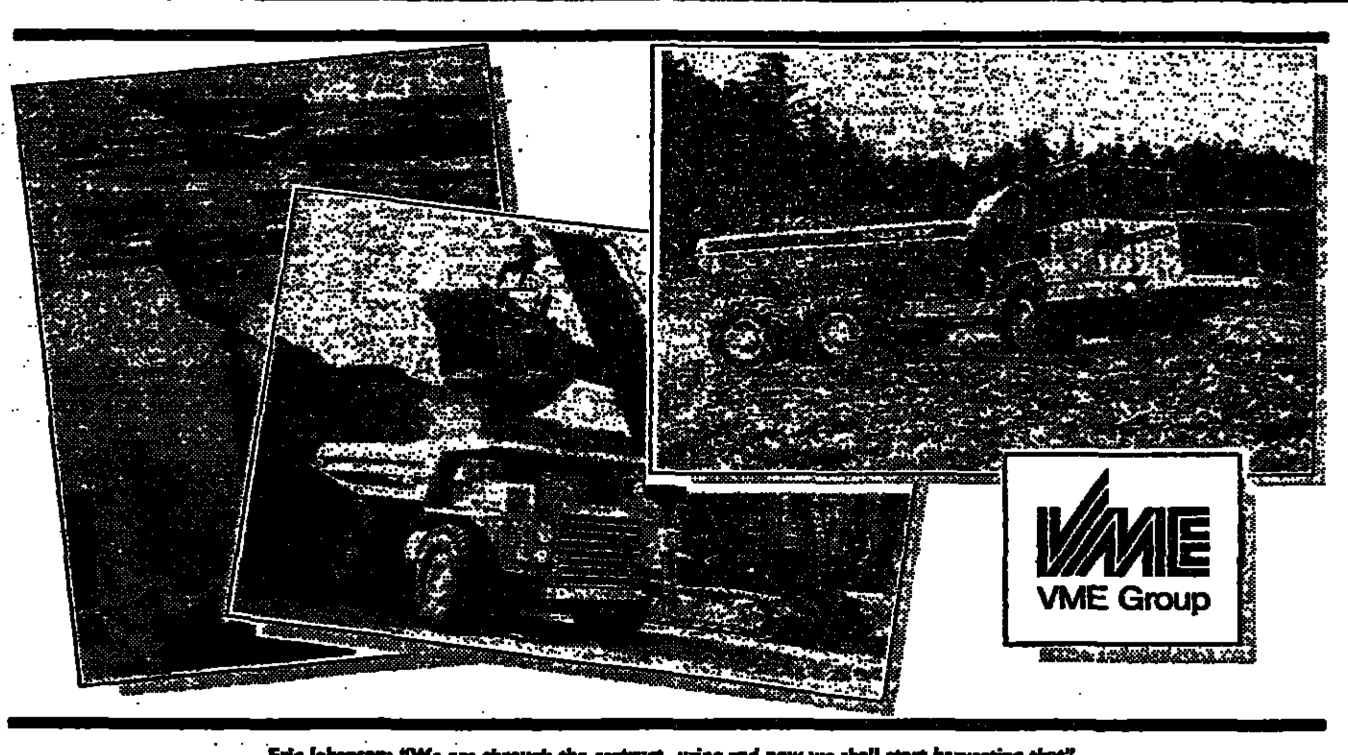
"The whole industry was developing into an oligopoly with two big players, Caterpillar and Komatsu. There was a risk that some other producers would be confined in the long term to being just regional manufacturers and sellers."

From that quiet township nestling in the wide expanses of open countryside dotted with little wooden summer houses, the picture must have looked deeply disturbing, especially to Johanson, who had been running the business since the late 1970s.

As the two giants from the US and Japan fought it out across the globe medium sized makers of mainstream machinery were being tightly squeezed. Volvo was right in the firing line.

The Swedish company found itself sitting there with an overwhelming dependence on just small and medium sized dump trucks and wheeled loaders and with no sales whatever in the huge US market. Volvo AB, the parent group, advised Johanson that he had better do something about it.

The idea of setting up a distribution system in the US was looked at but abandoned as costly and unworkable. Then a meeting with managers from Clark Equipment of the US casually drifted into a discussion about the world construction scene.



Eric Johanson: "We are through the restruct uring and now we shall start harvesting that"

Loaded with potential

Nick Garnett examines the progress of the merged Volvo and Clark Equipment earthmoving business, set up to compete with Caterpillar and Komatsu

By April 1985 Johanson was putting his signature to a deal unusual even for an industry littered with alliances among companies scrabbling for competitive advantage. Volvo, with its strong Continental European operating culture, was merging its earthmoving machinery business with most of the construction machinery interests of Clark, as North American a company as could be found.

Two years on and VME, as the new company is called, has been working hard rationalising and coalescing the activities of these two businesses which not so long ago knew very little about one another.

At a time of huge overcapacity and weak pricing VME's financial performance has been way short of target. The new grouping certainly has its critics who say the deal has yet to prove itself.

But Johanson, now VME's president and chief executive, argues that all the changes planned at the time of the merger are on schedule and the benefits are ready to appear. "We are through the restructuring and now we shall start harvesting that," he says.

VME represents the first letters of the separate machinery businesses—Volvo BM (Volvo's earthmoving machinery arm), Michigan (Clark's wheeled loader maker) and Euclid, the renowned producer of big dumpers which Clark purchased from Daimler-Benz in 1984.

Johanson gives a rueful smile at the thought of the VME name. Everyone said it was a bad idea adopting initials for a new company, especially as people still remember the ignominious collapse in 1983 of IBH, the construction machinery conglomerate, and the subsequent jailing of its founder, Dieter Esch, for breach of trust and giving false information. But no one could think of anything else.

The merger created a business with sales of almost $800m in which Clark and Volvo each has a 50 per cent interest. It is split into two operating companies — Volvo BM and VME Americas, the latter responsible for all marketing in North and South America and for the US manufacturing sites.

VME Americas seems to have a good deal of independence and product development will continue to be carried out in both Europe and the US. But usually one group in a merger becomes the dominant partner and the unmistakable stamp of the Swedes is now all over the company.

VME started life with two headquarters, in Cleveland and Eskilstuna, but now it is firmly entrenched in the Swedish town. That was a natural move, says Johanson, because VME Americas is a new company without the back-up systems available at Volvo BM.

Though the supervisory board is split between Volvo and Clark with Leo McKernan, Clark's president as chairman, main decision making is in the hands of the executive committee of which all but one member are Swedes.

The rationale behind the merger, though, was obvious for both companies. Clark, which was somewhat larger than Volvo in terms of sales but with a turnover on the slide, specialised in larger capacity dump trucks and wheeled loaders than Volvo.

It was also confined to rigid dumpers whereas Volvo's overwhelming strength is in articulated trucks. Volvo's market was mainly in Europe as well as the Middle East and North Africa whereas Clark's traditional strength was in its North American backyard.

There has inevitably been a substantial amount of rationalisation. The 321 dealerships in the combined Clark/Volvo operations in 1984 are now down to 155. Clark's wheeled loader plant in Strasbourg, France, was shut as was Euclid's manufacturing site in Bruges, Belgium, with production moved to Landskrona, Sweden.

Clark's existing plant closure programme in the US was continued while five of Volvo's smaller wheeled loaders are now assembled from kits at Michigan's Asheville plant for the North American market. Four spare parts facilities have been shut, two in Europe, one each in Australia and Canada. The combined group's workforce is down from 7,800 at the beginning of 1985 to less than 7,000.

As a sign of the relatively complementary nature of Clark and Volvo's product lines, however, only six of the combined group's range of 28 dumpers and wheeled loaders were considered as overlapping and have been abandoned. "We have eliminated all duplication," says Johanson.

The formation of VME has its detractors. They point out that along with JI Case and Dresser of the US, and Fiatallis of Italy, it still remains a medium-sized business in a cut-throat market in which the pressure still remains firmly on the middle ranking producers.

VME made a profit of just $7m in 1985 on sales of $770m. It will report a loss for 1986 on sales of around $809m, North America being the main culprit.

Industry sources also point out that VME still lacks a third major arm to its product range — the hydraulic excavator. Johanson says that VME has no intention of becoming a full line plant producer but concedes that the production of excavators is still part of the company's strategy.

The excavator is the fastest growing piece of earthmoving machinery in the world, taking almost a third of world construction equipment sales, but there is no sign yet that VME is any closer to a production deal with an established manufacturer.

Despite these criticisms, though, Johanson says the formation of VME was the right course for both companies and that as the costs of restructuring are virtually at an end, VME has started making money.

"This year will show a dramatic improvement," he says. "I think that we can have quite a nice future."

That future will probably involve a gradual coming together of the way Clark and Volvo BM traditionally behave. As a US company VME Americas is used to the short-term requirements of quarterly reporting rather than the longer term planning of its new Swedish brother.

They also have different backgrounds in engineering — Clark is more reliant on heavier weight engineering as befitting its bigger machines, Volvo on stress engineering. Some of these differences will have to be overcome as VME designs new models to take common componentry.

In marketing, too, Volvo is more used to building to order rather than the typical American pattern of producing first and urging dealers to sell what they get.

The name VME remains a bit of a problem. Partly because of product loyalty, the Michigan, Euclid and Volvo brand names are still used with the VME decal alongside. Michigan loaders continue in their green livery rather than the yellow of the other two marques.

As Volvo has no image at all in the US construction equipment market, its loaders will carry the Michigan name. However, the articulated dump truck is a relatively new concept for the US so Volvo feels secure enough to sell its artics there as Volvos. This mix of names will continue, says Johanson, who nevertheless hopes that the VME handle will become increasingly accepted in the market.

"No one makes huge profits in this industry and I do not believe anyone will," says Johanson. "But I do not believe we will have to lag behind anyone."

Cool reception for business diplomas

BY MICHAEL SKAPINKER

WHEN TWO reports last April told British managers just how badly-educated they were, the proposed remedy—a national management diploma — seemed to win almost universal acclaim. Some might have marvelled then at the silence of the traditional doubters and nay-sayers— those whose enthusiasm for any proposal to cure one or other national ill is usually as damp as an English summer.

Slowly, however, the sceptics are beginning to raise their voices. Not all of them are totally dismissive of the reports, The Making of Managers by Charles Handy and The Making of British Managers by John Constable and Roger McCormick. But they argue that a diploma course open to all managers will have little effect unless companies are convinced of its relevance to their own operations.

The most trenchant critic of the Handy/McCormick proposals is a Milan-based consultant, Jay Berry, formerly of McKinsey and now managing partner of BGN Europe. His comments are somewhat devalued by the fact that they are based on press comment about the reports rather than on a study of the reports themselves. But his views are worth quoting because they encapsulate some of the underlying points made by Handy and Constable's critics.

Berry's argument is that young managers only take advantage of opportunities for training and development if the businesses they work for encourage them to do so. Writing in BGN's summer newsletter, Berry says that "managers pass up professional training because their environment doesn't expect it of them."

There is no point, he says, in establishing diplomas unless there is evidence of employer demand for them. It is successful companies which indicate to management educators what is required. "It has never worked the other way round," he says.

"When the British manager market is ready for enlightened education, the pressure of sheer selective demand will shape the necessary infrastructure. Until this happens, diplomas in basic business skills will largely be superficial and irrelevant, ignored by the managements that count and doing little to help the ones that don't."

UK-based critics are a little more forgiving. A review of the reports by the International Management Centre, Buckingham*, commends the Handy report for making recommendations on management development which go beyond the establishment of a diploma.

They welcome Handy's suggestion, for example, that leading corporations ensure that their managers have five days off-the-job training each year, "although we would prefer that it was called five days learning. This would emphasise the desired end result, and would also encourage the use of a wider range of opportunities than would be envisaged by the word training—for example, visits to other companies."

Criticism

The Constable report comes in for criticism, however, because of its greater focus on the provision of formal education and training. "The report lacks any analysis of why management training and education processes have so far been unattractive to British management. Without such an analysis it is difficult to see why merely multiplying considerably the number of formal education processes on offer, even at a subsidy, will vastly increase the number of organisations or managers wishing to take advantage of such processes."

The most sympathetic critique of Handy and Constable comes in an unpublished paper by Kevin Barham and Laurence Handy (no relation) of Ashridge Management College.

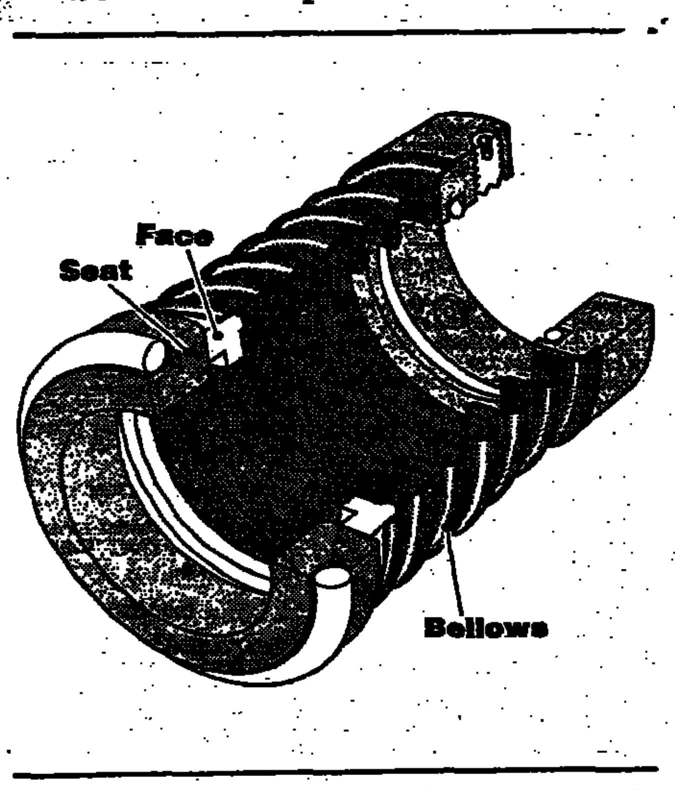
A management diploma will at least ensure that managers have a basic level of business literacy, they say. But it could also "all too easily encourage people to focus on the passing of hurdles, rather than on true learning. Secondly, once a national curriculum is established, it may become enshrined in bureaucracy and prove to be very difficult to change. We must ensure that the system is not in the hands of people who do not understand business."

*The Education and Training of British Managers, available from MCB University Press, 62 Toller Lane, Bradford BD8 9BY. £5.95.

TECHNOLOGY

Where minor masterpieces are part of the process

Peter Marsh explains how a new seal design can improve efficiency of pumps used in industries like waste disposals, foods, slurry handling and chemicals



PICTURE a short, cylindrical piece of metal. Like a concertina, it has a crinkly surface, so that it springs slightly.

This component, which fits easily into the palm of a hand, is at the heart of an innovative development in seal design which its makers claim will bring benefits to the world's process industries.

Behind the development, which brings together precision engineering techniques, computer-aided design and a novel metal-stamping method, is Crane Packing, a leading maker of pump components which is based in Slough, UK.

The company, which together with an associate firm in the US, John Crane-Houdaille, claims to control some 35 per cent of the £500m world market in mechanical seals for pumps, came up with the design after a five-year programme costing £1.5m.

Crane Packing is 51 per cent owned by Tube Investments, the UK engineering giant, with the rest of the stake held by the associate company. Its closest rivals in the world of mechanical seals include Sealol and Durametallic, both of the US.

Mechanical seals are minor masterpieces of mechanical engineering, made to tolerances counted in microns (millionths of a metre) and capable of withstanding huge forces.

The seals stop liquids that a pump is handling from infiltrating out along the pump shaft into electrical and mechanical parts. They are used in a range of industries, from waste disposal to food and from chemicals manufacture to slurry handling.

Development tests were carried out by Shell, ICI and Glaxo

The new seal produced by Crane, which has been tested in process plants operated by Imperial Chemical Industries, Shell and Glaxo, at the moment accounts for only a few per cent of Crane Packing's annual sales of some £50m.

However, within five years, says Brian Graves, marketing manager at the company, annual sales of the device should add up to £15m-£20m, out of the total turnover of both the UK company and its US associate.

Crane sells its seals both to operators of process plant and also to pump makers, such as the UK's Weir, Dresser of the US, Switzerland's Sulzer and KSB of West Germany.

Mechanical seals are subjected to hydraulic pressures of up to 20 times atmospheric pressure, and also to fierce mechanical forces, caused by the movement of the shaft at up to 3,500 revolutions per minute.

Due to the new design, says Trevor Doust, Crane Packing's engineering manager and the leader of the group which developed the seal, the component, called the 515E, should be more durable, so lasting longer.

Also the seal fits into a smaller space than many other components of its type. This is important as the bigger the seal, the larger the gap must be between the drive component of a pump and its impeller blades, a factor which increases energy losses.

Doust, together with a team of six engineers, retained the principles of seal-design but re-thought specific details.

All mechanical seals contain two annular rings, both of which slide over the pump shaft. One ring, the seat, is stationary while the other, the face, moves with the shaft as it rotates.

Everything depends on maintaining a gap of optimum thickness between the seat and the face. This is filled by a thin film of the liquid the pump is handling.

Use has been made of bridge and aircraft engineering skills

If the gap is too large, even by a few microns, the pump leaks. If it is too small, the seat and the face grind into each other and the pump seizes up.

The gap in practice is normally between 0.5 micron and 3 microns wide. In a popular kind of seal called a bellows device, the correct distance is maintained by a springy piece of metal fixed at one end to the shaft and which pushes the face up to the seal's seat.

This piece of metal, the bellows, has to be flexible enough to accommodate both the hydraulic forces of the liquid around it and also the peturbations caused by the rotation of the shaft. For a standard seal of the new type costing about £200, the bellows would be roughly 5 cm long. In use, it could be expected to "give" slightly, by a few millimetres.

Seal bellows are normally made by welding together a series of concentric metal rings to produce the "concertina" shape.

Doust and his colleagues abandoned this aproach, opting instead first to make a metal cylinder and then to insert the required crinkles using a closely-controlled forming technique.

According to Doust, the forming method, which works to an accuracy of a tenth of a millimetre, is highly advanced and as a result he does not want to divulge details.

One advantage of the method is that it cuts enormously the amount of welding. Instead of perhaps 20 separate welds, only one is required to join up the surface of the cylinder, as in can-making, to make the bellows much stronger.

Another benefit, says Doust, is that it is springier than a typical bellows. Normally, the longer the bellows, the greater its springiness. By adopting the new technique, a greater flexibility can be accommodated within a fairly short bellows, so saving space.

The shapes of the bellows' crinkles are also important. Crane's engineers devised the shapes using computer-aided design techniques.

In this way, the researchers optimised the structure of the bellows to withstand forces, just as is done in other engineering disciplines such as the design of bridges or aircraft.

Lastly, Crane's engineers tackled the design of the face of the seal, which is normally made from carbon. Again using computer-aided design, they adjusted the shape of the face to within half a micron so that it continually remains separated from the seat of the seal by the requisite film of liquid.

WORTH WATCHING

Edited by Geoffrey Charlish

German robots called to order

WEST GERMAN company Kommissionier and Handhabungstechnik of Gelsenkirchen has developed a robot for picking out orders in warehouses. It is aimed at the pharmaceutical industry and others with goods with a maximum box edge of 300 mm.

The company says that only minor changes need be made to existing warehouses. Orders are transmitted electronically from the controlling computer and contain the order number, the number of items of each kind and the storage locations. The orders are arranged so that the robot, on its floor guidance rail, goes up the aisle dealing with items to be picked up on one side and back down the other with the opposite racking.

At each picking-up stop, an infra-red unit built into the gripper senses package edges and the selected item is raised by a head containing 20 suction pads and is weighed if necessary.

The head then drops the picked item into the next position in an eight-segment temporary storage carousel on the robot body. The acceleration and speed of the robot is about three times that of a human picker and it can work at the rate of 300 items per hour.

The system is available in the UK from M and H Group of London.

Fiat shows its high-speed leanings

IN ITALY, Fiat's new high-speed train has made its debut in a maiden run from the Savigliano factory to the local station. Fuller tests with four coaches will be carried out soon and in September high-speed test runs will begin on the Florence to Rome line. No full service date has been announced. The train is of the tilting variety, a UK version of which (the advanced passenger train, APT) has been abandoned.

New life breathed into old faithfuls

A £13m management buy-out is keeping two famous names in British electrical instrumentation intact. The names, Avo (multi-range meters) and Megger (insulation testers), by-words for electrical engineers over 50 years, will be revitalised by the new holding company, Avo International of Dover.

The businesses had been in the Thorn EMI group since 1972 and have a joint turnover of £35m. Group managing director Bill Goldfinch masterminded the buy-out with the support of Midland Montagu Ventures, Midland Bank and Philadelphia National Bank.

Better tests for loss of hearing

GLASGOW UNIVERSITY is claiming the first comprehensive advance in hearing testing for 20 years with new audiometers designed in collaboration with the Victoria Infirmary and local manufacturers Mercury Electronics (Scotland).

The university believes the machines, which are said to be reliable and save considerable time, will allow more accurate assessment of claims for hearing loss attributed to industrial noise. It points out that most audiometers need an expert user to set dials for particular frequencies and intensities of sound and then record the patient's responses on a chart.

One of the new machines, called ASRA (automatic self-recording audiometer), automatically works through the tests under microprocessor control and will then produce a printed graph of the results. A basic machine, ASRA 2001, is for use in factories and schools and would be used to refer patients to clinics where more versatile machines, controlled by an Amstrad 1512 personal computer, would be used for more complex testing.

US puts pressure on spray designs

A TEAM at the Pacific Northwest Laboratories of Battelle, the US research group, has designed a new type of hand-held spray dispenser which could replace conventional pump sprayers and propellant gas-powered dispensers.

By using a special piston of undisclosed design, pressure applied to the sides of the bottle is multiplied at the nozzle by five to 10 times, giving a high pressure spray for relatively little effort.

Quick-chip insight for UK industry

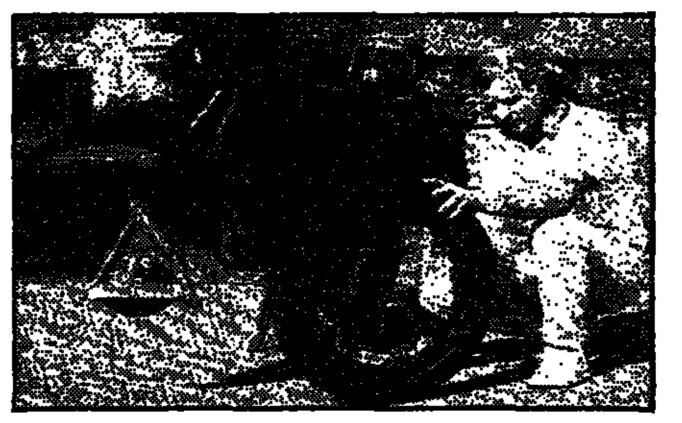
THE BRISTOL Transputer Centre has opened in the UK in a combined £0.5m venture by Bristol Polytechnic, Inmos (which makes the transputer) and the Department of Trade and Industry.

The centre has been established to provide UK industry with information on transputers and their applications. It will develop short courses, application notes and training packs. The transputer is Inmos's particular version of the microprocessor. The chips run at high speed and can be connected together to give powerful processing systems.

Based at Bristol Polytechnic, the centre will use its resources and expertise to carry out consultancy work for companies.

CONTACTS:

Avo International: UK, 0304 205679. University of Glasgow: UK, 041 334 7111. Fiat: London office, 225 1266. Bristol Polytechnic: UK, 0272 656261. Battelle: London office, 493 0184. M&H Group: London, 385 5530. The telephone number given on July 29 for VideoLogic was incorrect. The right number is 09277 60511.



Military motorcycles make timely change

THE MINISTRY of Defence in the UK is evaluating a design of motorcycle front wheel and suspension which enables the wheel to be quickly changed using a simple three-bolt fixing.

The design, by Hossack Developments of Harrow, allows motorcycle wheels to be changed like car wheels. Normally, motorcyclists are faced with removal of other items, like brake assemblies, associated with the front wheel and the wheel change might take 20 minutes. Hossack Developments claims its wheel can be changed "in seconds."

The front wheel suspension system uses a single rigid column, instead of a telescopic fork, connected to the frame via forward-facing wishbones.

THE ARTS

Arts Week

F	S	Su	M	Tu	W	Th
31	1	2	3	4	5	6

Exhibitions

WEST GERMANY

Stuttgart, Staatsgalerie: British art in the 20th century organised by the Royal Academy of Arts. The work, covering 1910-70 is not well known in Germany. The extensive display of 250 pictures and sculptures from 70 artists includes works by Henry Moore, Ben Nicholson, Francis Bacon and Anthony Caro. It should help to revise the prejudice that British art is provincial and has not been represented in the avant garde. Ends Aug 9.

Kassel: Museum Fridericanum Orangerie: Documenta 8 'World exhibition of contemporary arts': paintings sculptures, theatre performances, architecture and design. The Documenta was founded in 1955 by local painter Arnold Bode with Henry Moore, Alexander Calder, Max Ernst and Joan Miro and is an important venue for modern art. This year director Manfred Schneckenburger presents the works of 150 artists, and for the first time open air sculptures which will be erected in Kassel's city centre. Artists exhibiting include Ian Hamilton Finlay, Javier Mariscal, Robert Morris, Mark Tansey, Alexander Melamid, Eric Fischl; Leon Golub, Robert Longo and Joseph Beuys. There is also a separate exhibition 'The Ideal Museum' where 12 architects present their ideas for Museum construction. Ends Sept 20.

Baden-Baden, Kunsthalle Lichtentaler Allee 8a: Henri de Toulouse-Lautrec. This exhibition displays graphic works from 1864 to 1901 with more than 360 posters and drawings (Ends Aug 30).

PARIS

Medieval Art in Paris: The Abbots of Cluny built their magnificent late gothic town house in the heart of the Latin Quarter on the blackened ruins of roman baths. Now a museum, it houses medieval works of art: goldsmiths' work, carved altar pieces, ivories, fabrics, with two English royal standards embroidered in gold on red velvet. In a rotunda of its own is a set of the Lady and the Unicorn mille fleurs tapestries – an allegory of the five senses, one of the masterpieces of medieval art. Musée de Cluny, Place Paul-Painleve, Metro Odeon. Closed Tuesdays and lunchtimes (432 56200).

Picasso Museum. The 17th century Hotel Sale, sumptuously restored, provides a fitting home for the world's largest collection of Picasso's work. It comprises 203 paintings, 158 sculptures and more than 3,000 drawings and engravings, 16 collages and 88 pieces of ceramics. It is completed by Picasso's own collection of paintings by his friends, such as Braque and Matisse, or by artists he admired, Renoir, Cezanne, Douanier Rousseau. Musee Picasso, Hotel Sale, 5 Rue Thorigny, Paris 3E (4271 2421). Closed on Tuesdays.

The Painter in Front of his Mirror: A collection of 222 self-portraits from the 18th to the 20th century shows the infinite variety of ways in which an artist regards himself. From a painstaking likeness to a self representation under the traits of a mefisto or the devil, from thickly laid brushstrokes to the lightest of lines, painters draw their own image for friends – or for posterity. Louvre des Antiquaires, 2 Place Palais Royal. (429 72700) Ends Sept. 5.

Georgio Morandi: Subdued colours and a subdued mood imbue the 120 paintings, watercolours, drawings and etchings of the master from Bologna. The permutations of the themes of bottles, vases, cyclindrical or rectangular shapes engender a certain monotony. Yet at the same time they give these everyday objects a poetical existence of their own. Hotel de Ville, Salle Saint-Jean. (427 64066) Ends Aug. 20.

L'Art Independant: To commemorate the 50th anniversary of the 1937 Paris International Exhibition, the Museum of Modern Art, built for the occasion, repeats on a smaller scale the exhibition l'Art Independant which was part of the heady pre-war festivities. Celebrating painters and sculptors who broke with the academic traditions of the 19th century, it assembled works by Matisse and Maillol, Picasso and Lipchitz, Braque and Rodin among others. The present version of the exhibition allows visitors to compare the choices of the 1937 organisers with the judgement of history. Musee d'Art Moderne de la Ville de Paris, 11 Avenue President Wilson (472 36127). Ends Aug. 30.

SPAIN

Madrid, Fernando Botero. Colombian painter whose imaginative world is a poetic distortion of reality. 100 works on loan by private collectors, museums and artist's funds. Centro de Arte Reina Sofia, Santa Isabel 52. Ends Sept 6.

Madrid, Spanish Pavilion in the international exhibition in Paris, 1937. This show reproduces the space, contents and environment of Spain's contribution to the art world during the Civil War, a means of propaganda by the republican government in search of international aid and support. Some originals, some copies or reproductions include architecture of the pavilion by Lacasa and Sert, Picasso's studies on the Guernica and his Dama Oferente, North American Alexander Calder's Fountain of Mercury, Miro's 'El Payes Catalan en Revolucion' and many more on loan by private collections and museums. Centro de Arte Reina Sofia, Santa Isabel 52. Ends Sept 15.

LONDON

The Tate Gallery. Turner in the new Clore Gallery: The Turner Bequest, which amounts to nearly 300 oil paintings, finished and unfinished, and a further 19,000 or so watercolours and drawings, has been a source of controversy and dissension ever since it came into the nation's hands more than 130 years ago. Turner had always wished for a gallery to himself which would show all aspects of his work. Whether he would have approved of James Stirling's extension to the Tate as a suitable setting is a nice question. The larger paintings may be hung too low for one who lived in a more ostentatious age, and the tasteful oatmeal Stirling has decreed for the principal galleries is a far cry from the rich plum he is known to have preferred. The vulgar neo-deco of the entrance hall has little to recommend it. But eight rooms for paintings and one for watercolours give room enough, and with the three reserve galleries upstairs, every painting but the few in restoration or on loan is on the wall.

Burlington House, Picadilly: The Summer Exhibition of the Royal Academy has come round again, for the 219th time. Over 1,300 works have been chosen, nearly 300 fewer than last year, from an open submission of over 13,000 – paintings in all media, prints, drawings, sculpture and architectural design. For all its variety and quirkishness, the exhibition is strongly professional: the amateur work which once made it notorious has been more rigorously excluded in recent years and is now all but gone. With their privileged entry of six works apiece, the Academicians and Associates set the standard and the tone. With so big a show as this the visitor must follow his own taste and judgment and work quite hard to see everything properly, but such involvement brings its own rewards, from the work of Elizabeth Blackadder, Olwyn Bowey or Gus Cummins to that of Gillian Ayres, Joe Tilson or John Bellany. (Daily until August 23).

ITALY

Venice: Ala Napoleonica and Museo Correr: 'Matisse and Italy': over 250 works by one of most poetic of 20th century French Painters. The exhibition includes paintings, drawings, and Matisse's entire output of sculpture (75 pieces in all), lent by private and public collections in France and America, and the Musée Matisse in Nice. Pierre Schneider, the organizer, has attempted to show how the works of Italian painters such as Mantegna, Pollaiolo, Giorgione and Veronese may have influenced Matisse. Until October 18.

Rome: Galleria Nazionale d'Arte Moderna (Viale Delle Belle Arti) 'Le Stanze Della Memoria': views of interiors, portraits and conversation pieces from the Praz collection. The catalogue is almost more delectable than the exhibition itself: the delicate oils and watercolours get lost in the austere spaces of the gallery. The nostalgic title refers to a period (1776-1870) when the aristocracy of Europe were united as never before or since, a period for which Mario Praz, anglophile, literary critic, and Professor of English Literature at the University of Rome, had a passion. He recreated with accuracy and affection the atmosphere at his "Casa Della Vita." Palazzo Ricci in Via Giulia. Praz's passion for empie style began when still a child and he was still buying new pieces at the age of 85, a year before he died. It is sad that it proved impossible to buy Palazzo Ricci itself, so that these delightful objects could have been seen in their proper setting. Until September 6.

Rome: Palazzo Braschi (Piazza San Pantaleo 1): Carlo Carra' (1881–1966): Over 200 works by one of the most lyrical of Italian contemporary painters, many with clear echoes of those artists known to have influenced him, such as Giotto and Piero Della Francesca. Neatly divided into sections corresponding to his futurist, metaphysical and Realismo Magico periods. Ends Sept 16.

Rome: Palazzo Braschi: Painter-Photographers in Rome: 1845–1870: The term Painter-Photographer was used almost up to 1970 to describe the early photographers, even if they had never painted. An absorbing collection of documentary photographs of Rome, including a collection by the English archeologist, John Henry Parker, and some striking portraits, all from the archives of the Rome Commune. Ends Sept 27.

Venice: Palazzo Grassi: Jean Tinguely: 1954–1987: The jokey mechanical sculpture of Swiss artist Jean Tinguely. A gentler, but still mischievous, version of Salvador Dali, Tinguely describes some of his incredible moving sculptures (all built from refuse iron and steel) as "machines a sentiments," and the complexity and sheer improbability of his works communicate a touching "joie de vivre." Over 300 works are on show, lent by American and European museums, with photographs of his first Self-Destructing Sculpture. Homage to New York, which duly self-destructed in the gardens of the Museum of Modern Art in New York in 1960. Ends Oct 18.

NEW YORK

Museum of Modern Art: Berlinart 1961-87: An international assortment of 55 artists who worked in Berlin over the past 25 years includes David Hockney, Malcolm Morley and Georg Baselitz. Ends Sept 8.

Guggenheim: The first retrospective of Joan Miro since his death in 1983 includes more than 150 pieces, including paintings objects, collages, ceramics and works on paper that explore the artist's experimental media, methods and primitive inspirations. Ends Aug 23.

CHICAGO

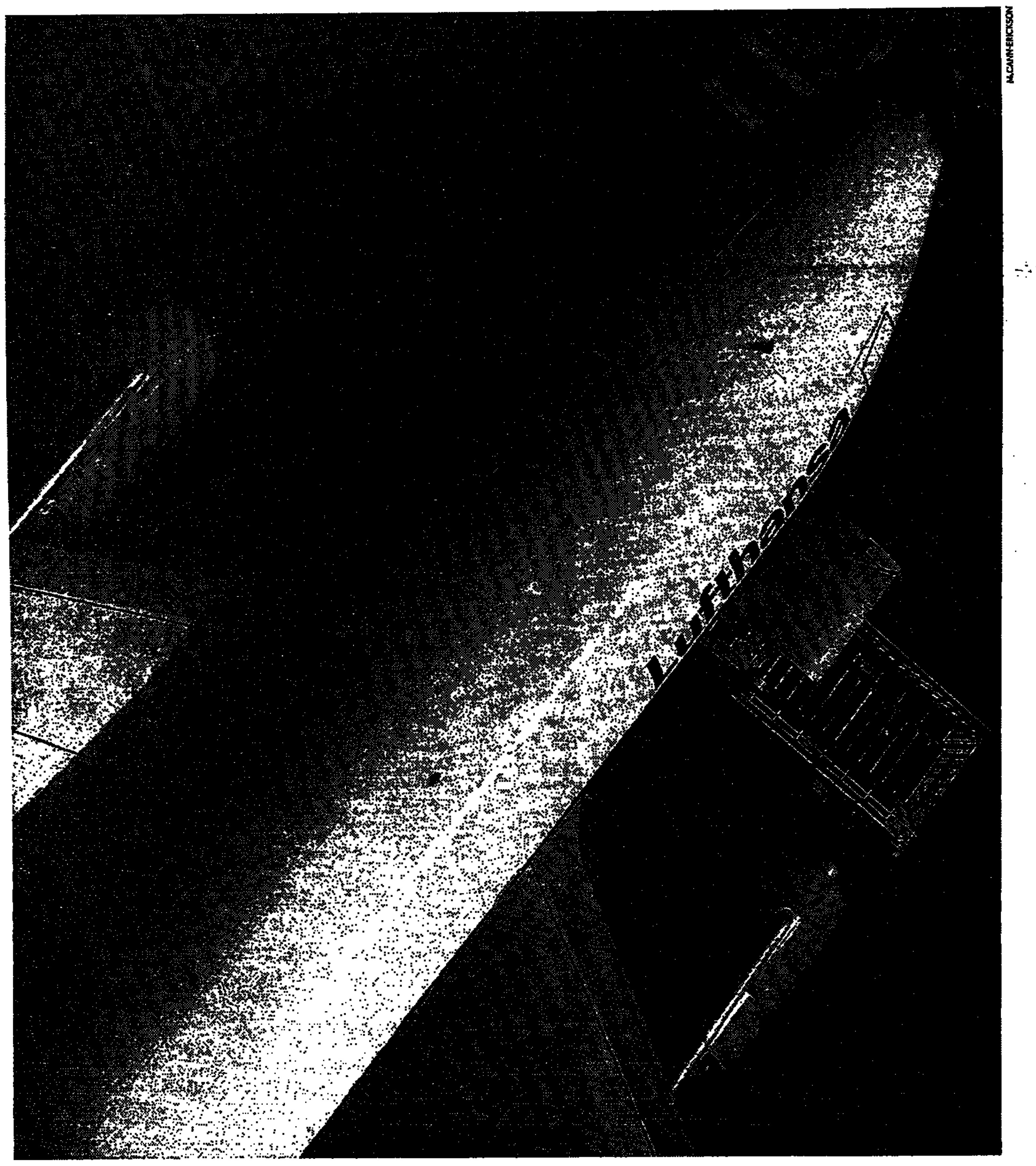
Art Institute: 16th century Turkish art that flourished under "The Lawgiver" Sultan Suleyman is displayed in 210 objects including illustrated manuscripts, inlaid woodwork, rugs and the imperial wardrobe. Ends Sept 6.

TOKYO

Images of Gods: This exhibition of masks and totem figures from Africa, Oceania, Asia and the Americas commemorates the 10th anniversary of Osaka's National Museum of Ethnology. The 200 objects include rare items from Oceania (from Britain's George Brown Collection) along with elegant and modernistic designs from Africa and Australia. Suntory Museum of Art, near the New Otani and Akasaka Prince Hotels Akasaka Mitsuke. This is a cosy museum offering both a tea ceremony room and spectacular views over the city. Ends August 30th. Closed Mondays.

Wassily Kandinsky (1866–1944): 102 paintings and drawings, including some from his pivotal Blue Rider era, comprise this exciting exhibition. The suggestion of a musical rhythm in art is caught in the bold colours and tension of Kandinsky's characteristic geometric patterns, squiggly lines and motifs seen especially in his "In the Black Circle" and Improvisation and Composition series. The National Museum of Modern Art, Kitanomaru Park, Takebashi. Plan your itinerary to take in a stroll through the nearby Imperial Palace Gardens or at least along the Moat, one of the few oases at the heart of the city. Ends August 9. Closed Mondays.

Bunjin-ga Literati Painting. This exhibition of Chinese-inspired landscapes by Japanese artists of the Edo Period (1600–1868) includes works by the renowned Uragami Gyokudo of the Nanga, or Southern School of Chinese painting. Literati painters were enthusiastic amateurs who worked in ink and paper – the Acaedemy professionals worked in silk and mineral colours. Their most typical subjects were the rustic scholar-recluse poetic scenes of mountains and Zen-inspired landscapes of the mind. Idemitsu Museum Hibiya, above the Imperial Hotel and near Ginza and main hotels. Ends Aug. 23. Closed Mondays.



Opera and Ballet

NEW YORK

New York City Opera: A week of performances of Stephen Sondheim's Sweeney Todd continue, conducted by Paul Gemignani in Harold Prince's production with Joyce Castle and Timothy Nolen; also The Marriage of Figaro and Faust. Lincoln Center (870 5570).

Jacob's Pillow Dance Festival: Summerlong work and performance schedule in the Berkshires features recitals this week by the Hubbart Street Dance Company (Tue-Thur). Becket, MA (413) 243 0745.

ITALY

Rome: Terme di Caracalla: A revival of the 1955 Caracalla edition of Aida, by Sylvano Bussotti, designed by Camillo Parravicini and Giovanni Cruciani, conducted by Serfio Oliva. Leona Mitchell alternates with Rosa Alba Russo as Aida, Grace Bumbry and Fiorenza Cassotto as Amneris, and Ermanno Mauro sings Radames. Tosca, directed by Mauro Bolognini and conducted by Rafael Fruhbeck de Burgos, with Giovanna Casolla (Tosca), Nicola Martinucci (Cavaradossi) and Silvano Carroli (Scarpia) (461755)

Verona: Arena di Verona: Madame Butterfly, directed by Renata Scotto, who also designed the costumes (and will be singing at some performances). Also in the cast are Mietta Sighele, Eugenia Moldoveanu and Veriano Luchetti, conducted by Yoshinori Kikcuchi. Also Pietro Zuffi's splendidly designed production of Aida, with Maria Chiara (alternating with Seta Del Grande, Gabriela Benackova and Martha Colalillo) in the title role, Nicola Martinucci and Piero Cappuccilli. La Traviata directed by Gianfranco de Bosio and conducted by Ralf Weikert (28151).

Palermo: Teatro di Verdura di Villa Castelnuovo: Merry Widow, conducted by Karl Martin and directed by Vito Molinari, with Daniela Mazzucato, Elenazilio, Max Rene Cosotti and Bruno Lazzaretti (581512).

Castellammare del Golfo Nr. Palermo): Castello di San Nicola (Trabia): Cimárosa's Le Astuzie Femminili conducted by Domenico Sanfilippo, with Yoko Hadama, Cristina Rubin and Ernesto Palacio (581512)

WEST GERMANY

Bayreuth. Wagner Festival dates: Lohengrin, newly produced by Werner Herzog, conducted by Peter Schneider; Goetz Friedrich's production of Parsifal and Daniel Barenboim conducting; Wolfgang Wagner and Michael Schonwandt's Mastersingers of Nuremberg; Wolfgang Wagner and Guiseppe Sinopoli's version of Tannhaeuser; Tristan and Isolde, produced by Jean-Pierre Ponnelle and conducted by Daniel Barenboim (921/20221).

Heidelberg's romantic castle grounds are once again the scene of an open-air music festival until August 30 with opera performances and concerts virtually every night. Traditionally the mainstay is the Student Prince sung in English, a musical romance produced by Helmut Hein and conducted by James A. Gähres – small wonder, since it reflects the romantic past of this old university town. Also Die Geertnerin aus Liebe and Lortzing's rarely played Hans Sachs, both conducted by David Effron. Chamber music, a Werner Hollweg lieder recital and orchestral concerts complete the programme. (06221-71076).

Music

LONDON

Academy of St. Martin-in-the-Fields conducted by Iona Brown, violin, with Ralph Kirshbaum, cello. Rossini, Beethoven, Mendelssohn and Haydn. Barbican Hall (Tue, 7.45 pm) (638 8891).

Academy of St. Martin-in-the-Fields conducted by Sir Neville Marriner with Rudolf Buchbinder, piano. Beethoven. Barbican Hall (Wed, 7.45 pm).

Academy of St. Martin-in-the-Fields directed by Iona Brown, violin. Rossini, Schubert and Beethoven. Barbican Hall (Thur, 7.45 pm).

Ronnie Scotts; Cuban trumpeter Arturo Sandoval. (439 0747)

PARIS

Lyra Ensemble: Croatian medieval and traditional church music (Mon 8.30 pm), Saint-Severin Church.

Volker Banfield, piano: One Hour with Ligeti (Tue 7pm). Auditorium des Halles.

Quatuor Arditti: Nash, Ligeti, Malec (Wed 7pm), Concert-Rencontre Auditorium Des Halles.

Ars Nova conducted by Mario di Bonaventura, Anthony di Bonaventura, piano, Jacques Wiederker, cello (Thur 8.30pm) Auditorium des Halles.

All the above concerts are part of the Paris Festival Estival (480 49801).

NEW YORK

Mostly Mozart Festival (Avery Fisher Hall): Tokyo String Quartet. Richard Stoltzman clarinet, John Graham viola. Mozart, Weber, Beethoven (Mon); Mostly Mozart Festival Orchestra. Gerard Schwarz conducting with New York Choral Artists directed by Joseph Flummerfelt. Handel/Mozart (Tue, Wed); Alicia de Larrocha piano recital. Mozart, Granados (Thur). Lincoln Center (874 2424).

Tanglewood: Boston Symphony Chamber Players. Gilbert Kalish piano. Copland, Perle, Knussen (Tue); Kronos String Quartet. Sculthorpe, Johnston, Bartok, Riley (Thur). Lenox, Mass (413 637 1666).

WASHINGTON

Wolf Trap: Ray Charles recital with the Raelettes (Tue). Vienna, Va. (703 255 1868).

CHICAGO

Ravinia Festival: Preservation Hall Jazz Band (Thur). Highland Park (728 4642).

Continued on Page 15

Cinema/Nigel Andrews

Dripping fangs and fairy tale sweetness

The Magic Toyshop (15)
Tin Men (15)
Opera Do Malandro (15)

Growing up can be a time for transformation scenes as sinisterly momentous as anything in a pantomime. For Wordworth it was "shades of the prison house" that begin to fall around the growing boy. For novelist Angela Carter it is more like shades of the bordello that fall around the growing girl: girls like Melanie (Caroline Milmoe), heroine of Carter's early novel *The Magic Toyshop*, now turned into a film. Whisked off at age 15 to live with her uncle and family behind the eponymous toyshop, she finds the solid reality of her former life with Mum and Dad (killed in a plane crash) melting into make-believe and sexual and romantic revelation.

Like Carter's *Company Of Wolves*, which reached the screen with a heady mixture of dripping fangs and fairytale sweetness, this is a story of post-pubescent girlhood going out into the mazy jungle of Life. The subtitle to all Carter's work could be "A wand'ring menstrual I," and Neil Jordan's film of *Wolves* gave her phantasmagorical Freudiana the full works: mist, colour filters, special-effects werewolves and forest sets out of Rackham or Friedrich. Director David Wheatley's approach in this new movie is more cautious. A teasing naturalism rules our early meetings with the characters: Melanie and her younger brother and sister, the pretty young aunt who has been dumb since her wedding day, her two rather odd brothers, and finally Uncle Philip himself (Tom Bell), toymaker by trade, cold, reptilian taskmaster by nature.

The film was shot in 16 mm and its grainy blown-up look, more redolent of shoestring documentaries or student films, is at first off-putting. But it makes the poetry, when it comes, more potent. Every so often the surface opens up, like the pages of a pop-up book, and, a fantasy sequence is played out at once deadpan and dazzling. The heroine's brother imagines his attic bedroom as a ship at sea, and the whole room rocks in a stormy dimness of blue light. The figures in a wedding photo come to life and hint at a hidden drama of jealousies beneath the smiles and trousseaux. And Melanie, wandering an imaginary seashore in her bedroom as she rehearses her role as Leda for her uncle's private theatre, finds her ankles suddenly washed by real sea-water.

Caroline Milmoe as Melanie in 'The Magic Toyshop'

The film, like the novel, is a wonderfully worked-out fable of adolescence. When the parents die, it is made clear that it happens at the girl's secret wish: as if their function as guardians of her innocence must end as she grows into sexuality. And when she immediately tumbles into the hands of another authority figure — the uncle's sinisterly carnal toys and games and plays, culminating in her mock onstage "rape" by a giant marionette swan—he, too, must be exorcised before she can emerge into adulthood. But Wheatley and Carter, who wrote the screenplay herself, never skywrite the story's meaning as a parable of growing up. Logic blends with illogic, common sense with non-sequitur, and ordered metaphor with the dangerous, disordered beauty of dreams.

★

"I've driven a sixteenth of a mile and already I've been hit," cries Richard Dreyfuss, after backing his new Cadillac out of the showroom and straight into a collision with Danny De Vito. Barry Levinson's *Tin Men* begins as just about the best comedy of all-male woes and accidents since Levinson's own *Diner*. Take a big but not too big city: Baltimore. Take a piquant year in American history: 1963. Take two major comedy stars and a constellation of smaller ones (John Mahoney, Jackie Gayle, Stanley Brock). Then throw them into the blender of a plot about two rival groups of salesmen — speciality, aluminium siding for houses — whose rivalry is aggravated by the post-collision feud between De Vito (small, pudgy, Italian) and Dreyfuss (short, shirty and Polish).

For the first of its two hours, the film entertains us hugely by depicting the 57 varieties of loony ingenuity that animate lifeamong small-time go-getters. When not deploying their "scams" or sales tricks — like conning a family by pretending its house is to be the "before" picture in a Life photo-spread on the wonders of aluminium siding (of course the family pleads for it to be the "after" picture and is willing to pay out) — the salesmen swap jokes, boasts and cherishable shaggy dog stories in a *Diner*-style diner. When not taking turns to smash each other's cars in their sensitive places, Dreyfuss and De Vito hatch even more fiendish schemes of vengeance, up to and including adultery.

But it is one of these schemes, that starts pushing the story from the screwball into the sententious. The film's joke is meant to be that Barbara Hershey as De Vito's wife falls in love with Dreyfuss, after he has seduced her for revenge, and then becomes a maudlin millstone round his neck. But the joke goes wrong: she becomes a maudlin millstone round the *film's* neck. We are soon out of the kingdom of quips and into scenes in the pouring rain where Dreyfuss stands still under a soggy hat and stammers, "I love you."

Not content with that millstone, the film then wraps another round its own neck: a "serious" McCarthyite subplot about a commission investigating and punishing dubious practices (the aforesaid scams) among aluminium siding salesmen. This is movie masochism if ever I saw it. It is as if the film were punishing itself for its own comic lodestone. We feel the same as we would if the last reel of a Mae West comedy suddenly brought on Will Hays, the famed Hollywood censor, to denounce all Miss West's *double entendres* and ask her to kindly leave the screen. Wit and vitality leave *Tin Men* about 60 minutes in. Up till then it is the best movie comedy in town.

★

Ruy Guerra's *Opera Do Malandro* is a Brazilian musical. But please eschew all thoughts of Carmen Miranda wearing a fruit market on her head and singing "Aye-aye-aye!" This is more like a South American *Threepenny Opera*, or a desperate attempt at it; based on a stage musical by Chico Buarque, and with pimps, sharks and prostitutes tripping the dark fantastic in blackout-ridden Rio during the Second World War.

Blackouts are clearly a convenience for a movie that cannot afford too many lavish sets. Although Guerra says he was inspired by the great MGM musicals, this is more like a NUM musical. It could have been filmed down a mineshaft with a few coloured lamps to light up the performers. The sets are derisory (with the odd broken wall scrawled with "Democracia" reminding us that the film is supposed to have a political conscience, not just to be fun). The production numbers are embarrassing. And the dialogue has one frantically pursuing the subtitles in hope of catching a line which offers something between the quirkily opaque ("Soon I'll look like a Balzac character, all limp and hungry") and the banally self-evident ("It's a blackout").

Alastair Muir

Penelope Keith

Miranda/Chichester

Michael Coveney

Goldoni's 1753 comedy *La Locandiera*, also known as *Mirandolina*, has been moved by Beverley Cross from Florence to a small cathedral city in the south of England not unadjacent to the Chichester Festival Theatre. Such transpositions are usually dangerous, but I applaud the attempt to relocate the rather distant materialist imperatives and romantic siege tactics of Goldoni's Venetian comedy to recognisable territory. It is a good idea, moreover, for Penelope Keith, who has been sadly under-stretched of late, to play a hostess fighting in a sea of bureaucracy and chauvinism for her respect, her job, and her right to choose a partner.

In Goldoni, Miranda has just lost her father and, like some 18th-century Beatrice, fights off the sudden cluster of male interest by adopting an aggressive, cunning sexual stance in relation to a rich marquis, a parvenu count, and a woman-hating cavalier. She ends up marrying her loyal potboy after much merry social banter involving proffered jewels, good wines, home-made soup and best linen. Mr Cross drops the tangible social aroma of Goldini's world, but incorporates the romantic plot into a wider, more pertinent social issue: a convention of city dignitaries, a masonic masqued ball, gathers in Miranda's mock-Tudor inn to push through development plans for a shopping arcade and conference centre.

The obstacle to so-called progress is Miranda's tavern. The local politicians have brought in their chinless MP and his gin-swigging wife; an inebriate doctor with a dowdy spouse looking like Dandy Nichols, and an anonymous mayor and a slimy lawyer. These characters are funny for one minute and then relegated to the status of superfluous extras. The suitors—for the way to win Miranda and her property is to stifle her in marriage—become a merry widower with a pile on the South Downs (Moray Watson), a randy arch-deacon in button-down gaiters (John Cater), and a tall army captain with a low view of women (John Harding). They are all trivial refugees from the slightest of television situation comedy.

The plot is even further confused, or rather defused, by Mr Cross, who now proceeds to throw in moral righteousness by pinning a fornication scare on Miranda and a subsequent question-mark over her licensing qualifications. A coarsely projected shadow play of high jinks in the shower proves not to convict Miranda and the loyal Eddie (a charming performance by John Peters) but an innocent honeymoon couple who registered at the inn in the first scene and are promptly forgotten by everyone else, including Mr Cross, shortly thereafter.

The development issue is now subjugated to a discussion of whether spinsters may or may not run taverns. Hence, a trite mechanical interview sequence in the second act, which degenerates from cod Restoration banter with many a wan echo of Edith Evans and Maggie Smith, to shameless and clumsily organised not very good Noël Coward pastiche. The point about Goldoni is that Miranda, a young and intelligent woman, asserts her sexual identity and sorts out the men from their ploys. Here, Miss Keith, adopting the unlikely persona of an ageing operatic diva buried in the Sussex hinterland, projects a bossy stalwart of old-world values suddenly imbued with a preservation mission—"apres moi, le garage."

This would be more tolerable if the text itself were not so ropey, and Wendy Toye's lumbering production less of an old-fashioned eyesore. There is something irredeemably coarse and second-rate about the proceedings, even though Miss Keith has taken good care to preserve stylishly her centre-stage status by shooting down anyone who invades her spotlight and sporting a very fine wardrobe of spangled after-dark wear. But we really should expect performances of greater depth in productions of higher quality from this particular actress.

The Glasgow Citizens did Goldoni's play beautifully 10 years ago (Suzanne Bertish in the lead), and restored the usually cut foreign actresses. Mr Cross brings back a couple of revue pierrots, but they are not believable and do not relate to the thin-blooded assault on greed and skullduggery.

Finally, we have two bad plays jostling unhappily together: a bad translation of Goldoni; and an underpowered city satire that relates only dimly to the present-day grim reality it would like to savage.

Need to Know/The Place

Annalena McAfee

The television on the empty stage is showing a Granada Television documentary on the state and terrorism. Experts, in conference, discuss their respective responses to the hypothetical kidnapping of an American businessman. There is much theorising, expressions of simulated concern, and several lapses into humour. But in the setting of the theatre, the small screen fails to hold and we look around for distractions. These are first presented, in spotlight, by the arrival of a young woman who coyly arranges her frothy white ball gown. Her presence suddenly highlights the fact that on the flickering screen, only the male gender is represented.

Is this shy figure about to say something? On the verge of utterance she flees the spotlight into the arms of a man lurking in the shadows. Reassured, or simply reminded of her lines, she returns and tries to compose herself. Again and again she funks it, and the pattern is only broken when a chandelier descends from on high and swings wildly across the stage, a cello begins to play and the girl in the ball-gown polkas hectically with a succession of partners.

This production by the Flemish group Needcompany, formerly Epigonenteater, is their first work to contain any dialogue. This group is here as part of the LIFT festival. Director Jan Lauwers, who trained as an artist, overlays the Granada programme with a condensed version of Shakespeare's *Antony and Cleopatra* to bring into focus concerns with power and love. Delivery of the Shakespeare, competing against the swooping, soaring volume of the television set, is halting and shy. The nine actors stand in a long line, their awkwardness occasionally giving way to outbreaks of giggles.

There is a good synchronised kiss, in which four couples seem to get carried away simultaneously, their hands exploring the same parts of the anatomy with the precision of a chorus line. A rather puerile commentary on the documentary, delivered by a Swedish sexologist, informs us that this is a "very sexy sex film because it is filled with sex."

Passion is also explored in "The Toast," in which a celebration deteriorates into a drunken frenzy of sexual desire and jealousy. Ours was not to reason why, the programme notes told us, quoting Bunuel. "The obsession to understand things . . . leads to making them insignificant and mediocre." But the evening bemused, and occasionally amused, rather than irritated. Despite the foray into dialogue, some of the most powerful moments of the evening were purely visual.

Alastair Muir

'The Toast': exploration of passion

Norrington/Albert Hall

Richard Fairman

This concert was not given by an orchestra of authentic size and instruments, though in some respects it might just as well have been. When one hears the incisive playing that a conductor like Roger Norrington can get in the classical repertoire from conventional forces, it is difficult to see why performances before the "authentic" revolution could so often have seemed deprived of vitality and clarity.

The ballet music from Mozart's *Idomeneo*—rarely heard in the context of the opera—set the tone from the beginning. The BBC Welsh Symphony Orchestra is by no means as sprightly on its toes as the most expert of the authentic bands and there was some ungainly scrabbling for the notes at Norrington's briskest tempi, but the style was immediately arresting: clear textures and a rhythmic attack that always keeps the pulse alive.

In Haydn's *Harmoniemesse*, the one with the outrageously lighthearted "Benedictus" that *begins with the singers whispering* the words *pp*, the orchestra was joined by the BBC Welsh Chorus. This, too, is far from an authentic group. Their numbers are some way in excess of the Oxbridge choirs, who have claimed the Haydn masses as their own in recent years, and yet they made it clear there need be no lack of punch, if the direction from the rostrum is lively enough.

Rather than the fast movements, which always had some life even under the most sluggardly conductors, it is the slow ones that show up the differences most. Norrington took the "*Gratias agimus*" at a very flowing *Allegretto*, which gave a good shape to the opening soprano and alto solos of Eiddwen Harrhy and Eirian James; and the full quartet, including Maldwyn Davies as tenor, easily avoided the lachrymose at his speed in the "Et incarnatus," though the relatively light bass of Stephen Varcoe was really having to dig down deep into his boots for the low E flats at the end.

The remaining work was Shostakovich's First Piano Concerto. No lack of joie-de-vivre here, either: John Ogdon was the impressive soloist, with *both the massive power and the* introspection to make the slow movement tell, and John Wallace partnered him in the solo trumpet part, which gets equal billing in this concerto.

Continued from Page 14

Arts Week

Theatre

LONDON

Antony and Cleopatra (Olivier): Peter Hall's best production for the National Theatre he leaves in 1988 brings this great but notoriously difficult play to thrilling life, with Judi Dench and Anthony Hopkins as battle scarred lovers on the brink of old age. Dench is angry, witty and ultimately moving. Best of the rest at the NT is Michael Gambon giving his finest ever performance as Arthur Miller's doomed longshoreman in A View from the Bridge; Juliet Stevenson in a fine revival of Lorca's Yerma; and David Hare's production of King Lear. Hopkins, a massive gnarled oak, which gathers force and more friends as it continues in the repertoire (928 2252).

The Phantom of the Opera (Her Majesty's): Spectacular but emotionally nutritional new musical by Andrew Lloyd Webber emphasising the romance in Leroux's 1911 novel. Happens in a wonderful Paris Opera ambience designed by Maria Bjornson. Hal Prince's alert, affectionate production contains a superb central performance by Michael Crawford. A new, meritorious and palpable hit. (839 2244, CC 379 6131/240 7200).

Starlight Express (Apollo Victoria): Andrew Lloyd Webber's rollerskating folly has 10 minutes of Spielberg movie magic, an exciting first half and a dwindling reliance on indiscriminate rushing around. Disneyland, Star Wars and Cats are all influences. Pastiche score nods towards rock, country and hot gospel. No child is known to have asked for his money back. (834 6184).

42nd Street (Drury Lane): No British equivalent has been found for New York's Jerry Orbach, but David Merrick's tap-dancing extravaganza has been rapturously received. (836 8108).

NETHERLANDS

Amsterdam, Stadsschouwburg. The English Speaking Theatre of Amsterdam with Noel Coward's Private Lives directed by John Hartnett and starring Lesley Hughes and Chris Young (all week except Sun and Mon). (24 23 11).

NEW YORK

Fences (46th Street): August Wilson hit a home-run, this year's Pulitzer Prize, with James Earle Jones taking the powerful lead role of an old baseball player raising a family in an industrial city in the 1950s, trying to improve lot but dogged by his own failings. (221–1211).

All My Sons (John Golden): Richard Kiley has the gratifying part of Joe Keller in Arthur Miller's post-war moral tale of profits versus principle in a nicely dated production from the Long Wharf Theatre. (239 6200).

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T.S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

La Cage aux Folles (Palace): With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2626).

I'm Not Rappaport (Booth): The Tony's best play of 1986 won on the strength of its word-of-mouth popularity for the two oldsters on Central Park benches who bicker uproariously about life past, present and future, with a funny plot to match. (239 6200).

Big River (O'Neill): Roger Miller's music rescues this sedentary version of Huck Finn's adventures down the Mississippi, which walked off with many 1985 Tony awards almost by default. (246 0220).

Les Miserables (Broadway): Led by Colm Wilkinson repeating his West End role as Jean Valjean, the magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama, if not strict adherence to its original source. (239 6200).

Starlight Express (Gershwin): Those who saw the original at the Victoria in London will barely recognise its American incarnation: the skaters do not have to go round the whole theatre but do get good exercise in the spruced-up stage with new bridges and American scenery to distract from the hackneyed pop music and trumped-up silly plot. (586 6510).

Me and My Girl (Marquis): Even if the plot turns on ironic mimicry of Pygmalion, this is no classic, with forgettable songs and dated leadenness in a stage full of characters; but it has proved to be a durable Broadway hit with its marvellous lead role for an agile, engaging and deft actor, preferably British. (947 0033).

WASHINGTON

The Immigrant: A Hamilton County Album (Arena): An immigrant in Texas at the turn of the century conveys the warmth and quirkiness of autobiography in Mark Harelik's play based on his grandfather's experiences. Ends Aug 16. (488 3300).

CHICAGO

Sunday in the Park with George (Goodman): Stephen Sondheim and James Lapine's Pulitzer Prize winning musical based on suppositions about the life of artist and Georges Seurat stars John Herrera as the artist and Paula Scrofano as his lover, Dot, directed by Michael Maggio. Ends Aug 16 (443 3800).

TOKYO

Les Misérables. After London and New York, now Tokyo and the Japanese version of the Tony-award winning musical. The cast was handpicked by the creative team of producer Cameron Mackintosh (from an astounding 11,500 hopefuls), then trained for nine months in a special "ecole" and rehearsed by director John Caird. Costumes, set, sound, lighting have been supervised by the respective original designer flown in from London. Toho's Les Misérables is a triumph. The best production of a Western musical in Japan, it differs little from the original London version. Convincing and moving, this top-quality production shows what can be achieved with proper casting and training. Sponsored by the cosmetics company, Shiseido. Imperial Theatre, near Ginza. (201 7777).

Saleroom/Antony Thorncroft

Fag-end of the season

The rarest set of cigarette cards sought by collectors — featuring clowns and circus artists and produced by Taddy — sold for £17,050 at Phillips yesterday, easily a record for this market.

Taddy closed down in 1920 and although individual cards from the clown set appear at auction quite frequently to be able to offer the complete set of 20 is a unique achievement. In 1985 Phillips sold 19 cards from the set for £4,620, which was the previous record price.

The cards were in remarkably good condition and were bought by a Sussex businessman who was making his first purchases in this collecting area. (The top estimate had been £6,000.) He went on to cream off all the top lots, paying £4,180 for the set of 25 of Wills National Costumes, a very rare issue; £2,420 for the set of 20 of Taddy's Royalty, Actresses and Soldiers; and £1,650 for Wills set of 50 Cricketers of 1895. It is an odd sort of collecting passion which acquires the top examples right from the start.

Phillips has become the second of the leading fine art auctioneers to announce their season's figures, recording a turnover of £76,455,921 in the year ending today, a rise of 35 per cent on the previous 12 months. It may not quite match Christie's 50 per cent jump to £581m, but it gives chairman Christopher Weston quiet satisfaction.

Phillips accumulates its turnover through a remorseless number of smallish sales and does not rely on the mega-price, although it sold a Marie Laurencin painting for £300,000, and "The wedding feast" by Pieter Brueghel the Younger for £200,000. It has had a particularly good season in modern and contemporary pictures.

Other departments to do well were stamps and jewels, with musical instruments, textiles and collectables, the Phillips speciality, performing above average. Phillips has a substantial chain of provincial salerooms and during the year acquired a new outlet in Plymouth.

Meanwhile, Sotheby's achieved a record total for a sale of Australian art of £2,331,877, in Melbourne. "Morning mist, Eltham," by William Withers, sold for £182,533 and Sir William Dobell's "Wangi boy" made £115,284. Robert Holmes à Court managed to acquire two Melbourne Cups, the prize for Australia's premier horse race. They were the cup for 1888, which cost him £76,856, and for 1890, which set him back £67,249.

FINANCIAL TIMES

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Wright and wrong

THE PETER WRIGHT case, it seems, has become rather like the poor: always with us. The House of Lords ruled yesterday, by a majority of three to two, not only that his book Spycatcher still cannot be published in Britain, but that *neither can extracts or reviews*, and that even reports of the court proceedings seeking to prevent publication in Australia are taboo in the home country.

The man who claimed that he spent five years bugging and burgling his way across London at the state's behest now finds himself pursued through any available court by the same state, and there *is no telling* how it will all end.

It is worth trying to separate the serious from the ridiculous. For although the latter may predominate, there is a serious side, which is best expressed by going back to first principles.

The first principle is this. If it is regarded as necessary and desirable that there should be a secret service, it is entirely reasonable that its full-time employees should be committed to life-long confidentiality. The concept of a semi or quasi secret service, or of employees leaking this, that or the other, or going off to write their memoirs makes no sense.

There is, however, a second principle: there must be tolerable conditions of service. It is quite possible that the Wright case *would never have arisen* if he had been awarded a proper pension in the first place. Spies, for that is what they are, should be treated with at least as much respect as normal civil servants.

Procedures worked

There is also a third. Arrangements must be made *for the fullest possible inquiry* when things go wrong, as inevitably sometimes they will. A lot of things have gone wrong in the British secret service over the past 40-50 years. Many of them are documented: the Philby, Blunt, Burgess and Maclean stories, for example. There may have been others. That is what much of Mr Wright's book is about, and although nothing has been produced in the way of conclusive evidence, it is clear that there must be some machinery for continual investigation and the public should only take the secret service on trust if there is some regulatory body that it can believe in.

The Wright affair is essentially about the past. If Sir Roger Hollis, a late head of MI5, was a Soviet agent, it no longer greatly matters. The damage has been done. What we do know from public statements in which there is no reason to disbelieve is that his case was thoroughly investigated both during and after his tenure and that the evidence against him was found wanting. To that extent, the external policing procedures worked. There would be no reason whatsoever for Mrs Thatcher to *conceal that someone way* before her time had been a Soviet spy.

Changed tasks

Yet there is a fourth principle which the Prime Minister does not seem to have taken on board. It is that, like any other institution, the secret service must evolve and, with it, the *methods of self or external* regulation.

The service *has* evolved over the years. It is no longer staffed primarily by ex-colonial officers whose formative period was spent chasing the Mau Mau or Eoka. The tasks have changed as well. Who would say, for instance, that we should not have a secret service designed to pre-empt bomb *attacks by the IRA or other* forms of terrorism? So, too, have the conditions of service. Employees can now expect a decent pension and seem to spend less time than in Mr Wright's day spying upon each other.

What has not changed, however, is the supervision. Even the heads of the security services now believe that the system should be more open to scrutiny, whether by some kind of select committee of both Houses of Parliament or by extending the role of the existing Security Commission. Mrs Thatcher has turned them down. She was wrong, for never was there a better opportunity to implement evolutionary change.

The Wright case will meander on in its bizarre fashion. It is not in itself very important. The chance to improve the system, and to persuade more people to accept it, is.

Hungary tinkers with reform

MR JANOS KADAR, the Hungarian leader, did not quite use the phrase "nanny state" in his pep talk to factory workers in Budapest last week, but the message had a curiously familiar ring to it. The problem with the economy was that the system supported everyone, he told them. Hungarians were all living well beyond their means. They had better prepare themselves for some strenuous belt-tightening: there was, so to speak, no alternative.

For 20 years Hungary has been the Eastern bloc's laboratory in economic reform. But Hungarians know better than anyone that their experiments in tempering centralised regulation with market disciplines—by decentralising an dopening up to the rest of the world—have not been implemented rigorously enough to enable them to resist rapidly deteriorating terms of trade. They now face sluggish growth, stagnating industrial output, a record hard-currency deficit and a record current-account deficit.

Growth in the 80s has slowed to an average annual 1.5 per cent. Inflation, expected to reach 9.5 per cent this year, has eroded real incomes while steep price rises, including a 30 per cent leap in some basic household commodities last month, have further battered the standard of living.

Blurred vision

Artificial stimuli to industrial production created a short-lived boom in the first quarter of this year but trade continued to slacken: the deficit on hard currency earnings, $400m for the first five months alone, has pushed the country's total hard currency debt to more than $8bn.

A highly critical report by 29 economists from the Ministry of Finance and the Institute of Economics at the Academy of Sciences predicted earlier this year that, by 1989, 92 per cent of the country's export earnings would be swallowed by debt servicing.

*Their diagnosis was straight*forward: market simulation is no substitute for the icy winds of real competition. Their remedy was equally so: a comprehensive reform, based on more decentralisation and reliance on markets encompassing credit restrictions, price and currency controls, tax reform, investment policy and provision for stock ownership—foreign and domestic.

Much of this is in line with the Government's programme for continued reform over the next three years. Mr Kadar, one of the great survivors, shows no sign of wanting to jettison the remedies on which he has relied for so long just as they are finally winning acceptance in Moscow.

Proposed measures include an overhaul of the tax system *with introduction of VAT*, personal income tax and tax concessions for the efficient in industry; reform of the pricing mechanism at producer and consumer level; an introduction of stringent monetary and financial controls.

The leadership, showing the signs of drift and blurred vision to be expected of a regime nearing the end of its life, appears more adept at toying with new programmes and instruments and fiddling with the list of players than coming to terms with systematic weaknesses.

Profit motive

There has already been one reshuffle in the leadership of party and government and more will follow, Mr Kadar has warned, if co-operation is less than enthusiastic.

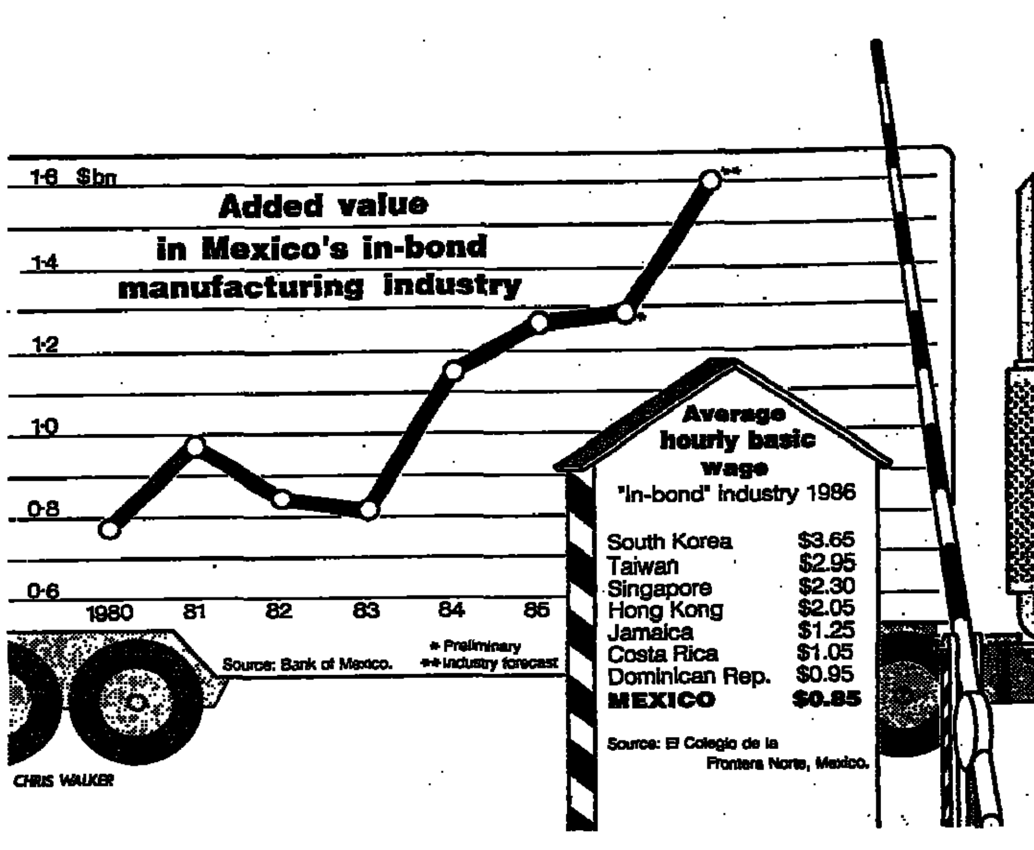
But is there any reason to believe that the new reforms will be more rigorously applied than their predecessors, or that they will prove more effective?

In spite of the deceptively Thatcherite tone of Mr Kadar's lecture to the factory workers, *there is little to suggest* that his regime is really prepared to accept the social consequences of widespread bankruptcies and rising unemployment.

Perhaps more significantly, the genuflections towards decentralisation and greater freedom of manoeuvre between enterprises cannot hide the fact that these reforms are, like their predecessors, being imposed from the centre.

Hungary's economic pundits lament the disappearance of the profit motive. They have yet to learn that it is not legislation but its absence that creates entrepreneurs.

David Gardner examines the economics of Mexico's new growth industry, in-bond manufacturing



The rich pickings in America's backyard

"IN THE last five years the US has discovered that Taiwan is right next door," says Mr Jesus Bonilla, partner in the Consorcio *Tijuana group of maquiladoras*, gesticulating towards the Californian border from his chrome and smoked glass, tower-block office in Tijuana.

The *maquiladoras* about 1,200 in-bond assembly plants mostly located along Mexico's 2,000-mile border with the US, are the one booming sector of Mexican industry, most of which *is struggling to emerge from* its worst recession in half a century.

The plants, controversial on both sides of the border, generate Mexico's second largest flow of foreign exchange after oil, earning $1.3bn (£812.5m) last year. This year earnings are expected to exceed $1.6bn, twice what they were five years ago when Mexico's foreign debt crisis broke. Since 1982, the number of plants has doubled and the number of employees increased threefold to 300,000.

The 20-year old *maquila* programme (the word comes from a Spanish colonial tax on milling grain) allows the duty-free import into Mexico of raw materials, which are assembled and re-exported. When the finished goods enter the US, duty is paid only on the added value.

For Mexico the programme has brought jobs and dollars to the politically assertive north. For the US it has provided a pool of cheap labour on the Mexican side of the border, rather than as illegal immigrants on its own side.

Multinational companies, especially in the engineering and electronics sectors, see in it a competiitve form of offshore sourcing—on their doorstep, rather than far away in Asia.

General Motors, for instance, has set up at least 23 *maquilas* to manufacture components and is said to be planning a total of 50 plants by the end of 1990.

Reviewed from Juarez, the saying "What's good for General Motors is good for America" should perhaps finish "is good for Chihuahua," where the company's Packard Electric division alone has 12 plants employing 16,000 people

"We are in Mexico to maintain our ability to compete on a global scale," says Mr George Schreck, a Detroit-based spokesman for GM's Latin American operations. "The choice is not (between) the US or Mexico. It's not that option (but) Mexico or some other cost-effective location."

The head of the *maquiladora* division of a major US electronics concern says his company faced three options: to spend heavily on automation in the US, to "migrate some jobs" to where there is "world competitive labour," or to "go out of business."

He was speaking strictly not for attribution, in keeping with what Mr Luis Enrique Wah, a seasoned *maquila* promoter, nicely understates as a "certain clandestine aura" that surrounds Mexico's in-bond industry. Rarely do *maquilas* trade under the parent company's name, to hide the scale of their operations from US unions and "rustbelt" politicians.

US companies looking to move labour-intensive assembly operations out of the high-cost rustbelt have traditionally chosen Asia—Taiwan, Hong Kong, South Korea and Singapore. But Mexico, with its constantly cheapening currency and labour (a dollar buys 34 times more pesos than it did five years ago, whereas wages have multiplied only 10 times and prices 20 times) and its proximity, is increasingly the first choice for US corporations.

The gross weekly wage in the *maquilas* (which pay above the Mexican manufacturing average) during the first half of last year was $34.33 against the US average of $396.

Mr Wah reckons companies save around $15,000 a year on each job transferred to northern Mexico.

Among other companies taking advantage of these rates are General Electric, which has 14 *maquilas* employing more than 15,000, with products including electronic ceramics and motors, Zenith, the TV maker, with seven plants employing 24,000, Rockwell International, Westinghouse, Union Carbide, ITT, Honeywell, GTE, Fisher-Price, McDonnell Douglas, Ford, Chrysler, Siemens and Philips.

Japanese companies have also started looking at the *maquila* sector as a springboard into the US market. From six Japanese plants a year ago there are now 18, with at least six more expected this year and a further 50 at the planning or inquiry stage. For the Japanese the *maquiladora* programme offers a useful alternative channel into the US at a time of trade tensions with the Americans. Goods imported from Mexico have no impact on Japan's sensitive trade surplus with the US.

In revalued yen, Mexican labour is cheap beyond compare. Furthermore, the majority of the Japanese newcomers have, in effect, been able to subsidise their investment by pioneering the use of debt-equity swaps in setting up *maquiladoras*. Under this mechanism, Mexican sovereign debt is purchased from a foreign creditor at a discount and redeemed with the Mexican Government for cheap investment pesos at nearer the face value of the paper. Libra Bank, for instance, has done three such swaps (involving American Yazaki, K.K. Maruri Shokai, and Citizen), while Citibank has completed eight deals for Japanese companies, including Sony, and plans more.

> Companies used to look to Asia for labour-intensive operations: now they look to Mexico

Companies like Sony, Sanyo and TDK, which makes ferrite magnets in Juarez, have had small *maquiladora* operations for some time. Now, however, Sony and Sanyo, along with Matsushita and Hitachi, are putting up huge installations in Tijuana, where one out of 10 *maquila* workers has a Japanese employer.

Mitsubishi has a steel-machining plant in the eastern border city of Matamoros. Toshiba and Seiko are starting major plants in Juarez in October and January.

In the footsteps of the Japanese have come the Koreans, led by Samsung, Gold star and Daewoo, which is expected to build a substantial plant.

A handful of British companies, like GEC, use the *maquila* programme. European interest has also recently increased, with West German, French and Spanish executives looking for sites. "If El Corte Ingles and Galerias Preciados (the two main Spanish department store chains) have *maquilas* in mainland China," asks Mr Wah, "why not here? It's cheaper and they speak the language."

From a businessman's perspective, the *maquila* programme may look irresistible, but US unions and Mexican development economists have doubts.

The unions oppose what they see as the export of US manufacturing jobs across the border. But the head of a major US electronics company's *maquila* division counters this flatly: "We've decreased jobs in the US but those remaining wouldn't be there if we couldn't be here." And in Juarez, Lucinda Vargas, research officer of one of the main *maquila* developers, the Grupo Bermudez, produces documents to support the industry's contention that the programme actually protects American jobs.

Ms Vargas calculates that Juarez's 89,600 *maquila* jobs support 258,972 US jobs in 49 states. Dr Richard Sprinkle, in a recent University of Texas study, links one out of four new jobs in El Paso, Texas, to growth in Juarez.

In an unusual display of cross-border unity of purpose, the so-called Border Trade Alliance was set up this year to promote similar arguments. US frontier state politicians and *maquila-related* interests *combined* to combat pressure to restrict the programme from the AFL-CIO union federation in America and from four congressional committees which are reviewing two tariff items in the US customs code which permit it to operate.

A new focus of controversy has emerged now that the sheer concentration of some companies' operations in northern Mexico is exerting an irresistible pull on suppliers. Trico, a GM windscreen wiper supplier, recently moved from Buffalo, New York, to Matamoros, just over the east Texas border, whereas a Cornell University study claims that had it retooled it could have stayed competitive and kept the jobs in Buffalo.

The very existence of a lobby like the Border Trade Alliance has led analysts like Dr Leslie Sklair of the London School of Economics — an expert on "special economic zones" in countries such as China, Egypt, Ireland and Mexico — to suspect that the benefits of the *maquila* programme disproportionately favour the interests of US companies. Although the *maquilas* provide Mexico with vital jobs and foreign exchange, there is little evidence of their integration into the local economy.

After 20 years, local content has reached only 1.38 per cent, government figures show. But *maquila* managers say this is the fault of Mexican industry—they complain that Mexican suppliers provide poor quality, over-priced goods which often arrive late. "We go after Mexican suppliers but they don't follow through," says one US *maquila* executive.

Dr Guillermina Valdes of the College of the Northern Frontier in Juarez fears that now that US and Japanese suppliers have begun to set up in Mexico, Mexican industry may miss the boat. She argues for a more thorough analysis of comparative advantage before the Government and private sector stage a drive to promote the *maquilas*.

Mr Jaime Bermudez, mayor of Juarez, talks of "a new manufacturing class" emerging from the *maquilas*. Dr Valdes, however, in several years of research, has unearthed only three cases of former *maquila* employees using their upgraded skills to found businesses: a co-operative of seamstresses, a small engineering concern, and a group which built an as-yet-unmarketable computer called Taco.

Whatever the controversy over the value of *maquilas*, the programme is steadily pushing inland. Labour shortages and infrastructure saturation on the frontier and cheaper, more plentiful, unskilled labour in central northern provinces, have combined with incentives from state governments and Nafinsa, the state development bank, to attract *maquilas* further afield.

A spate of border blockades by protestors against government ballot-rigging in northern state elections in the past three *years has also forced companies* which may need to ship across the border dozens of times a day to develop alternative sites.

The beneficiaries are central states like Tlaxcala, Zacatecas, Aguascalientes and San Luis Potosi, which traditionally export surplus labour.

But the border cities also benefit as companies introduce ever-more sophisticated industrial processes, taking advantage of the more experienced, higher-skilled labour, and shifting a lot of low-skilled assembly work into the interior.

"Things we thought we couldn't do here 10 years ago are now common practice," says one veteran US executive. The production chain of which the *maquilas* are a part will penetrate deeper into Mexico, he says, because: "We want to raise our competitive position, which means more sophistication, more added value."

Men and Matters

Lawson's forethought

Environment Secretary Nicholas Ridley's admission that a large team of "snoopers" will be needed to police the poll tax and check the number of people in a household, makes all too pertinent an ironic comment made by Nigel Lawson a couple of years back when the *idea of the tax was first floated.*

The Chancellor and the Treasury have been totally opposed to the idea all along, partly because the tax fulfills hardly any of the accepted properties of a good tax; partly because they regard it as a certain vote-loser; and partly because the Treasury had finally managed to wrest control of the rates away from the Environment Department after years of trying, and was reluctant to surrender its prize.

So Lawson formed a small group of advisers into a stop-the-poll-tax committee which operated with great effect until the Prime Minister suddenly resurrected the idea just before the general election.

'Ofgas? I think I've found exactly where British Gas is making its excess profits'

"Do we have any comparable taxes which are universal imposts levied on everyone *irrespective of their ability to* pay?" asked the Chancellor. After much thumb-sucking, one official declared that the nearest equivalent, although not really comparable as it is levied on equipment, is the television licence. It is a standard charge and is about the most widely-spread flat-rate tax since 98 per cent of households have at least one television set.

"And I suppose we will have to have poll tax detector vans too," remarked Mr Lawson. Many a true word spoken in jest.

System analyst

The new spirit of "glasnost" has had one concrete result for Britain already.

A British-Soviet chamber of commerce has started functioning in Moscow since Mrs Thatcher's visit in March. It complements the British-Soviet chamber that has been active in London for more than 70 years.

An old Moscow hand, Grant Sutherland, will be the first manager of the Moscow chamber. He has been put on a two-year secondment by his company, Rank Xerox, to get things under way.

Sutherland has already been in Moscow for more than 10 years as the Rank Xerox senior representative, and has had a good deal to do with the substantial increase in trade with Russia achieved by the group in that time. He is married to a *Russian and they have four* children.

Sutherland welcomes the new chamber as well-timed, "Things that we had only read about in the past are suddenly starting to happen here." As for the problems of trading with Russia, he says cheerfully, "The Soviet Union is like any other country. You get used to the *habits, the cultures, and the* customs, and suddenly you can find your way through the system."

Tricks of trade

One of Britain's top trading standards officers, Bryan Dixon from Kent, has just spent three weeks in Dubai, capital of the United Arab Emirates, advising the government there on setting up its own code of practice.

He is convinced it is needed. He wanted a pair of decent sunglasses and a street trader had just what he wanted. "They were an attractive, well-known designer pair and from £50 I beat him down to £20," says Dixon. But the wily street trader had the last word—he wrapped *them for Dixon* who found, when he got back to his hotel, that they had been switched for a very nasty, cheap and useless plastic pair.

While Dixon found the usual run of expensive counterfeit goods—Rolex watches, cameras, videos—he discovered a new one: counterfeit cornflakes. "They were on every supermarket shelf," he says, "in packets identical to Kelloggs, the brand leader. But it appears they are coming in from Central Africa."

Second seat

Jonathan Aitken, the Tory backbencher, was running for reelection again yesterday—this time for a seat on the board of Aitken Hume International, where he is chairman.

He carried the day, but with all of Aitken Hume's recent troubles, it was not without objections from the floor.

"Surely it should have been the organ grinder that should resign," said one disgruntled shareholder, complaining about Aitken Hume's share performance.

The chairman's experience on the campaign trail obviously came to good use as he smoothly pointed to the turnaround in the company's profits performance, while mentioning his non-executive role which, presumably, exempts him from direct responsibility for grinding the organ.

A joke about being back on the hustings, and on to the next item of business.

Cross-check

Gloom is the principle characteristic of most post-general election thinking by trade unionists. Not so Chris Proctor, postal officer of the National Communications Union, who is trying to collect—with a view to possible publication—as many funny election anecdotes as he can.

This is one of his first. A woman came out of the polling booth in Islington North, next to the Arsenal football ground in north London. She went straight up to the returning *officer and declared that she did* not want to vote for any of the candidates.

She was gently told that they were the only ones standing for election in that particular constituency. She insisted that she did not know any of them; and on being told again that there were just the four, came out with her *real* reason for not wanting to vote for them: "They could be Tottenham supporters."

Lost for words

As City back offices go through a bad patch, the problems are not limited to settlement delays. Shearson Lehman's weekly gilt monitor was published two days late this week after the firm's word-processing system took a dive all day last Friday. "There isn't a typewriter in the place," said coeditor Eddie Abbott.

Observer

Politics Today: by Malcolm Rutherford

Not such a boring tunnel

RATIFICATION of the Eurotunnel project on Wednesday aroused very little excitement, at least on the British side of the Channel. Even Newsnight, the flagship of television current affairs programmes, produced only a brief report referring to Mrs Thatcher signing the agreement with President Françoise (sic) Mitterrand.

That seems to me a pity. For whatever one may think about the technical side of the argument — whether it should have been a bridge rather than a tunnel, or whether there should be no fixed link at all — it is quite a historic development. And despite all the reasons that can be devised for being blasé about it, the fact remains that Britain and France are going to be connected as never before.

Most of the old arguments against the link were suspect. When the tunnel was first proposed by the French in 1802, the project was approved by both governments. It was subsequently rejected on military grounds. But that must have been nonsense. For the idea that a tunnel to the Continent makes Britain more vulnerable to military attack, whether by a Napoleon or a Hitler, is demonstrably absurd unless one assumes that the armies could come when no one was looking. The tunnel could quite easily have been blown up at the first sign of serious danger.

So it must have been emotion that kept the tunnel from being built, or nationalism, insularity and a general desire to keep Britain and the Continent apart. Britain was an island and proud of it.

The only excuse for being blasé about the project today is that it is no longer such a great engineering feat. The wonder is that it was not done long ago and that we have to wait until 1993 to be able to go to Paris by train.

There may be one further reason for being less than elated. The British and French Governments signed a treaty to build a tunnel in 1973, then the British pulled out. Also, that other example of Anglo-French technological co-operation, Concorde, has not had an entirely happy history.

Still, this time the Rubicon is almost crossed. It will be surprising if there are great financing difficulties when Eurotunnel comes to the market again around November. It will be amazing if either Government withdraws from the project.

So is it just a boring old tunnel, to be completed behind its time, rather like the M25 around London? Perhaps. But it could be more. It could be the sign that Britain and France have stopped that mixture of mutual admiration and mutual distrust of each other from a distance. They could agree to come together, warts and all.

Anyone writing on the subject of Anglo-French relations immediately gets into difficulties. Such relations cannot be exclusive. They have to take into account West Germany, and nowadays Italy and Spain as well as the smaller European countries. West Germany alone is more important internationally, certainly in economic terms, than either Britain or France and perhaps the two of them put together.

There are also differences of perception which must be taken into account. West Germany through French eyes is not the same country as West Germany through British eyes, and the Germans, too, have differing views of France and Britain. The economic rise of Italy and the emergence of a democratic Spain, as a member of both Nato and the European Community, all make the map of Europe more complicated when it comes to bilateral relations. It is very unlikely that any two West European countries — even France and West Germany — could now gang up together without producing counter-alliances.

Yet the fact remains that Anglo-French relations are not as close as they ought to be and could be improved for the benefit of Europe as a whole.

It is, when you think of it, odd that two countries which have so much in common, having both been nation states for so long, are still so far apart. The commonality is so obvious that it is sometimes overlooked. For instance both Britain and France are permanent members of the UN Security Council. West Germany is not. Both are nuclear powers. Both just about cling to membership of the Group of Five or Group of Seven, whatever the group of advanced economies is called at the time, even though it has become essentially a group of three: the US, West Germany and Japan. Both have extensive experience of foreign affairs, especially in Africa, but also to some extent in the Middle East and parts of Asia.

No one should suppose that close Anglo-French co-operation does not exist. Whenever one looks into it, there always appears to be more of it than meets the normal eye. But it is not very open. Few people know how much, or how little, the British and the French work together in Africa, yet an Anglo-French plan for restoring economic vitality to that continent could make the world of difference to Europe.

Not only is the relationship rather confined; it also blows hot and cold. The days may have passed since Princess Margaret could snub the French by feigning an illness and cancelling a visit to Paris. But the need for close permanent relations is still not seen as a fixed star on either side of the Channel.

Both countries might learn from experience. In the 1960s France thought that it could dominate a small Europe, based on its special relationship with West Germany. Britain thought that it could keep Europe at a distance and trade on its special relationship with the US.

Both dreams faded. West Germany now scarcely regards France as an equal, let alone a superior. The imbalance in the special relationship across the Atlantic has become more apparent than ever. The only way that London can talk effectively to Washington (or Moscow for that matter) is through Europe. The best way ahead is for Britain and France to realise those facts and to work more consciously together. It would not be against West Germany or Europe. It should be in everyone's interests.

The Law Lords' decision

A balancing act over secrecy

By A. H. Hermann

THE LAW LORDS' decision to uphold the ban on serialising Peter Wright's book, Spycatcher, in the UK press—and also to prohibit the reporting of proceedings relating to the book in an Australian court—will lead immediately to the reopening of contempt cases against four UK newspapers. It is also bound to have a more general and long-term impact.

In the first place it is likely to encourage the Attorney General to ask courts for a prohibition on the distribution of the US edition of the book in the UK.

The appeal, ruled on by the Law Lords yesterday, concerned only temporary injunctions granted to the Attorney General against the Observer and the Guardian by Mr Justice Millett in July last year. Discharged by the Vice Chancellor last week, they were reinstated by the Court of Appeal last Friday. Yesterday's 3:2 decision is likely greatly to influence the outcome of the eventual full trial of the Government's objection to publication.

Although we will learn the reasons for the decision only later, it seems obvious that the Law Lords rejected the main argument against a continued ban: namely, that the book has already been published in the US and is being imported into the UK and that, consequently, the prohibition can no longer protect any state secrets that the book may reveal.

The decision is also bound to assist the case of the British Government in the Australian Court of Appeal, which is considering the UK's application for an order which would silence Mr Wright worldwide.

A successful outcome of the full trial in the UK and in Australia, establishing that Mr Wright had revealed information classified as secret and endangered the security of the realm, would no doubt also help in any attempt to sequester Mr Wright's royalties. Other gains from publishing such information would also be affected, whether in the UK, Australia or the US.

The speed with which the application was processed and decided illustrates how fast the English courts and lawyers can act in an urgent case of public importance. The Lords' final judgment was reached in less than 11 days from the time the case was brought before the Vice Chancellor, Sir Nicholas Browne-Wilkinson, last week. The very speed of this process, however, made it unavoidable that certain basic legal issues remain unsolved.

The dissenting minority, Lord Bridge in particular, seems to have been inclined to cut through the maze of English law of confidence and the legalistic arguments it inspires

SPYCATCHER

and—in the best tradition of great English judges—to reach for a common sense solution.

The jungle of judicial decisions and statutory rules on secrets and confidences makes the going dangerous for anybody, and for whistle-blowers in particular. It grows from the conflict of the two aspects of public interest: protecting confidentiality, without which neither business nor public organisations can operate efficiently (and those in charge of foreign affairs, defence and security not at all); and protecting freedom of information, about which Mrs Margaret Thatcher said in her maiden speech in the House of Commons that it "is the greatest and most effective check against arbitrary action."

Increasing the difficulty is the fact that lawyers have invented a curious distinction between information which is in the public domain and that which, though universally known and accessible, is not in "public ownership" — because it has been misappropriated, in this case by Peter Wright, and still belongs to its rightful owner, the British Government.

This legal concept has respectable references, one at least from Lord Templeman when he was an Appeal judge — and it seems that he played an important role in formulating the majority view. This concept explains why Government lawyers entered so daringly the slippery path of litigation, which exposed them to criticism both in Australia and in the UK. Some very senior judges thought the law was being brought into disrepute because the court was being asked to order the impossible.

The Government lawyers first argued that the publication of Mr Wright's manuscript should be prohibited because it endangered the operation of the security services. In view of evidence that information and allegations contained in the manuscript had been already published in the UK unopposed by the British Government, the emphasis shifted to the need to enforce respect for the obligation of confidentiality on the part of officials and agents employed by the security services—and to discourage other potential authors among them.

Finally, in the last stages, emphasis was moved to yet another argument: namely that energetic prosecution of the case, and prohibition of the book's publication in the UK and of publicity for its US edition and a 40,000-word excerpt published in the Washington Post, were necessary to reassure friendly security services that their secrets were safe with their British counterparts.

The validity of these arguments was contested not only by the newspapers involved, but also queried by the Bench. The argument was that there was no point in protecting the secrecy of something which was in public knowledge or known to defectors now resident in Moscow. Instead of trying to discourage potential future offenders among the security services by the prospect of lengthy litigation, it would be better to select them more carefully and to offer them pensions which they would not like to put at risk. It was pointed out that Mr Wright left the service without an adequate pension and that there was not much wisdom in letting an embittered man settle in a far away country without adequate means.

The validity of this argument—and of the counter-argument that such confidence would be better enhanced by a more careful selection of secret service candidates—will be tested in the full trial. However, even afterwards, there will remain a need to clarify how the public interest in protecting confidences and official secrets can be balanced with the need to ensure that a free press can disclose and discourage abuses.

Lesligative proposals by the lawyers' professional body, Justice, by the Franks Committee and by the Law Commission have been on the table for some time. The Vice Chancellor has suggested formation of a special board consisting of a High Court judge, a journalist and a civil servant—which could come close to the US practice of allowing publication of the memoirs of members of the Central Intelligence Agency after vetting by a publication board. In any case, the Government's victory over Spycatcher is likely to make calls for reform of the law louder and more insistent.

Letters to the Editor

Aid and trade go hand in hand

From Mr P. McGregor

Sir,—Far from clarifying the commercial view of overseas aid, as your headline puts it, Mr Clark's letter (July 28) merely increases the confusion.

He and those who share his views are at pains to make arbitrary distinctions between developmental and commercial criteria, and to suggest that there has to be a choice between the role which these should play in the "overseas aid allocations." But they conceal the fact that according to their definition "development criteria" measure only the extent to which the aid benefits the poorest people in the beneficiary country, and not the extent to which it helps to promote economic growth in the economy of that country. In fact what they mean by "development" is social engineering.

Some of us think that in helping countries to develop, using conventional definitions of the word, aid and trade go hand in hand. If we are going to give aid (and Britain gives too little according to any criteria) we should do our best to see that it helps beneficiary countries to do things which they cannot do for themselves, and to do them well. As Mr Clark said, aid is not just a matter of handing out money, or even advice. The most useful aid is to get sound projects completed and operating under effective management, and that is what contractors and other commercial people are in business to do.

It would probably be a mistake to hand over the small amount of aid allocated under the Aid and Trade Provision (ATP) to the total control of the DTI, since it would tend to confirm the false dichotomy.

The tragic thing is that the schools of so-called development economists appear to have learned nothing, in spite of the "research" which they continue to talk about. Their concerns are political and not developmental. Their general stance is well represented by the title "Overseas Development Administration" which has a patronising neo-colonialist air when compared with the Japanese Overseas Economic Co-operation Fund, the French Caisse Centrale de Cooperation Economique, the West German Kreditanstalt fur Wiederaufbau, or the Italian Dipartimento di Cooperazione of the Ministry of Foreign Affairs, all of which look upon aid and trade as natural partners rather than as competitors for resources, and all of which know that it is easier to find a constituency to support increased aid if there is a benefit to the donor country. In consequence, they all give much more aid than we do; both developing country and donor benefit.

A senior member of the staff of one of the multilateral agencies told me how curious he found it that the British like to finance soft aid (advice) rather than real projects. A (non-British) Executive Director of the same agency remarked that it is unfortunate for Britain that it has no efficient way to handle project aid like the agencies of competitor countries mentioned above. It is well known that the British spend far more time and effort on chewing over fine distinctions when appraising projects, although there is no evidence that in consequence our aid is more productive. Much of the requirement for this time- and energy-consuming churning derives from the tautologous use of "developmental value."

While it may amuse academics who live by such sophistry, we shall not help ourselves by inventing unjustifiable intellectual distinctions. The difference of view which Mr Clark says in his letter "will never be resolved" has already been resolved except among the talkative, opinionated minority which he represents.

Peter McGregor,
Director, the Export Group for the Construction Industries.
Kingsbury House,
15-17, King St, St James's, SW1.

Need for flexible mineworking

From Mr A. M. Magnus

Sir,—Mr Heathfield's letter (July 27) is a wonderful example of the opaque thinking which could cause the loss of the British mining industry unless it can be corrected.

The necessity for strict legislation on working hours in mining (and Mr Heathfield specifically refers to the 1908 Coal Mines Act) arose at a time when mining conditions were significantly different from those today. In particular the amount of continuous physical effort required before mechanisation was significantly greater and because of the increased journey times from pit bottom to pit face the proportion of time underground actually spent on coal production with a call for physical effort is also significantly different.

Mr Heathfield insists that the legislation should not be amended because of the "horrific nature of past mining accidents and the continuing high risk to life and limb," yet earlier in his letter he suggests that the consequences of amending legislation will be closure of up to nine collieries and the loss of 7,000 mining jobs in the Notts coalfield alone. Is this not his real objection to amending the legislation?

Flexible working hours would enable productivity to be greatly increased so that fewer miners (and expensive mines and machinery) are needed to mine the same amount of coal. Unless coal sales can be increased fewer miners will therefore be needed. But the union consistently refuse to recognise that unless coal production costs are reduced there will be no jobs left for anyone in the mining industry. As your editorial (July 29) points out: "the electricity industry's most important input, representing about 40 per cent of total costs, is over-priced British coal." This constitutes a burden for the whole of British industry which cannot be sustained indefinitely.

No one wants to see genuine safety standards reduced in the mines but unless the unions recognise the need for flexible working there will be no mining industry left to protect.

Alan M. Magnus,
84, Holders Hill Road,
NW4

A cool look at smoking

From Mr A. D. C. Turner

Sir, — Smoking policy consultant (and ardent ASH supporter) Robert East writes with great conviction about environmental tobacco smoke (ETS) being such a health hazard that employers must take action (July 27).

The whole premise upon which his article was written is wrong, misleading, and almost irresponsibly alarmist—as only zealotry knows how to be.

Nobody would disagree that on occasion and in certain circumstances smoke can be irritating and a nuisance. So can many social practices, but in a tolerant society we try not to create forms of social apartheid in the workplace.

The real facts are that not one single objective researcher, scientist or doctor has alleged ETS is in any sense a serious health hazard. What certainly has emerged is that some researchers believe there is an element of increased risk, but then examination of the quoted statistics reveals this belief to be based on absolutely minuscule bases. In other words, even a 1,000 per cent increase over a base of next to nothing amounts to the proverbial row of beans.

The issue surely needs to be placed in its proper perspective. A non-smoker working with smokers in the average office environment would "need "an uninterrupted exposure of almost three weeks, day and night, before absorbing the nicotine equivalent of even just one cigarette. Interestingly, that same non-smoker would have to travel in an aeroplane for eight round trips between London and Hong Kong before experiencing a similar equivalence.

There are other highly challengeable assumptions in Robert East's piece and they include his rather summary dismissal of air cleaning efficacy, claims of productivity and morale improvement and the references to absenteeism and accident rates, all of which could be completely countered if space permitted.

A. D. C. Turner,
Tobacco Advisory Council,
Glen House,
Stag Place,
SW1.

Underground capacity

From Mr K. Pope

Sir,—London Regional Transport is doing exactly what Mr Mark Lawson (letters, July 25) suggests—increasing capacity as far as possible to cater for the record number of passengers now using the Underground.

Underground services have already been increased virtually up to the limits set by present train and signalling capacity. New trains on order will permit services to be further increased in 1988. Substantial sums are being spent on station modernisation and we are urgently considering what additional measures might be appropriate to relieve the pressures on the system, including possible extensions of line in the longer term.

London Regional Transport wants to attract people to public transport—not to drive them away. Fares are set at the level necessary to cover costs after grants, not to price passengers off the system.

Kenneth Pope.
London Regional Transport,
55, Broadway.
SW1

Dominant attitudes

From Kathy Williams

Sir,—I had to chuckle reading Christopher Dunkley's article "Too many wimps spoil the gags" (July 22). Although Mr Dunkley quite correctly points out that "it is unhealthy for any society to acquire one utterly dominant set of attitudes," his numerous references to the spectre of feminism and (God help us) strong women belie a personal dominant attitude of his own. It sounds to me like he could use a little bit of his own advice.

Kathy Williams,
Libra Bank plc,
Bastion House,
140, London Wall, EC2

FINANCIAL TIMES
Friday July 31 1987

Alan Friedman says unseemly haggling almost defeated Italy's new leader

Goria may yet confound the cynics

"MY NAME is Goria, Giovanni Guiseppe. I am not called temporary".

Thus did Italy's newly-installed prime minister reply to Rome cynics who doubted the longevity of his five-party coalition government.

Yesterday, on his 44th birthday, the former treasury minister presented his government to parliament with hopes for a speedy vote of confidence which will then send the Italian political world off next week on its August holiday.

The vote of confidence is a formality; but the truth is that Mr Goria, Italy's youngest-ever premier, is now presiding over an unstable rehash of the coalition which collapsed in early March when Socialist prime minister Mr Bettino Craxi resigned after a bitter clash with the Christian Democrats over power sharing.

The atmosphere inside the revived coalition (of Christian Democrats, Socialists, Republicans, Social Democrats and Liberals) was pretty poisonous even as Mr Goria was forming the government on Tuesday evening.

Time-consuming wheeling and dealing forced Mr Goria repeatedly to postpone his visit to President Francesco Cossiga to present his list of 30 cabinet ministers. This was certainly not his fault; indeed, haggling over the cabinet must have been unpleasant for Mr Goria, who is an honest and self-deprecating man more used to international meetings with central bankers and finance ministers.

Mr Goria is said to have considered throwing in the towel up to the last minute as the Social Democrats demanded more "prestigious" ministries. Interventions by Mr Ciriaco De Mita, the Christian Democrat leader, made a mockery of the idea that the prime minister can choose his own cabinet by locking himself away in an office and spending the day horse-trading over cabinet posts.

Even Italian political commentators saw the Levantine haggling over the cabinet (which includes two newly created posts, one of them an incredibly vague "minister for special affairs") as one of the most squalid displays of political vulgarity ever witnessed in Rome.


Italian Prime Minister Giovanni Goria (right) with President Francesco Cossiga after his swearing-in at the Quirinale Palace in Rome

Most of the haggling was inside the Christian Democrat party. Mr De Mita was put in the unenviable position of having to satisfy competing factions which demanded the patronage power of cabinet posts.

Among the results of Tuesday's unedifying cabinet lottery was the unceremonious exclusion of the hard-working Mr Giuseppe Zamberletti, the Christian Democrat minister for civil protection. He was bounced from the government even as he was trudging through the mud of northern Lombardy to supervise rescue operations after the latest landslide there.

The other Christian Democrat whose exclusion from government shocked Rome was Mr Oscar Luigi Scalfaro, the interior minister, who is one of Europe's most respected public servants in the battle against terrorism. Mr Scalfaro was ousted because the 79-year-old Mr Amintore Fanfani, who had served as caretaker prime minister since April, refused to retire gracefully after 41 years in government and demanded the interior ministry.

The Goria cabinet thus includes many of the figures of the 1950s, including the ever-present Mr Giulio Andreotti, who clung to his post as foreign minister, and Mr Emilio Colombo, a former prime minister who is the new budget minister.

By contrast, Mr Craxi's selection of several Socialist technocrat-ministers appears almost exemplary. The new deputy premier and treasury minister - Mr Giuliano Amato - is a respected Socialist who has been Mr Craxi's right-hand adviser for the past four years.

Ministers aside, however, the Goria government faces a number of issues which could topple it before long. The most contentious is the Socialist demand, backed by the opposition Communists, for the holding of controversial referendums on nuclear energy and judicial reform.

The Christian Democrats have been opposed to the referendums. But the Goria cabinet yesterday approved draft legislation which should pave the way for the holding of the referendums, possibly as early as October. This would give Mr Goria just enough time to deal with Italy's most pressing business - the presentation in September of the 1988 budget - before facing the potentially coalition-breaking polls.

The political consensus in Rome, shared by most senior Christian Democrats, is that the Goria government could run aground as early as this autumn if referendums are held. If Mr Goria survives that he could be toppled by next April or May when the Christian Democrats hold their party congress.

Mr Craxi, who is on "good behaviour" for the time being, clearly wants to return as prime minister at some point in the next year or two.

A top Christian Democrat leader yesterday expressed the view of many when he said that "this government is without any shape, without a programme and without much structure".

Even Mr Sandro Pertini, the former Socialist president of the republic, made a statement yesterday which showed how delicate Mr Goria's position is. Mr Pertini described Prime Minister Goria as "very *simpatico*, very human, a very good person". But he went on to say that: "I would have asked Giulio Andreotti to form a government. He would be my first choice. Andreotti cannot be manipulated by anyone. He knows how to operate".

And so the youthful Mr Goria, whose only cabinet experience has been as treasury minister since December 1982, is about to ride the most difficult tiger of his life. It is true that he is a protege of Mr De Mita, but even Mr De Mita states openly that "this is not the government we wanted". Nonetheless, Mr Goria may yet confound the cynics.

The political conflict between Socialists and Christian Democrats which caused the crisis five months ago remains as bitter as ever. The revived five-party coalition is seen in Italy as a way of papering over the cracks.

For the Machiavellian world of Rome politics, the so-called "stability" of Mr Craxi's 3½ years in office is now a mere memory. In Rome it looks as if the parties are back to "business as usual".

UK judges widen ban on papers publishing Spycatcher

By Raymond Hughes, Law Courts Correspondent

BRITAIN'S Law Lords yesterday widened the temporary ban that has stopped UK newspapers publishing allegations of secret service misconduct made by Mr Peter Wright, the former MI5 officer, beyond even what the Government had sought.

The 3 to 2 majority decision extended the ban to cover any references to Mr Wright's allegations made during the current hearing in the New South Wales appeal court, but not the court's judgment. Mr Wright is fighting for the right to publish his memoirs, Spycatcher.

Yesterday's ruling was strongly criticised by opposition politicians and newspaper editors, who are considering taking the case to the European Court of Human Rights in Strasbourg.

Lord Bridge, the presiding Law Lord who was one of two dissenters, said that the extended ban would cover "any comment, any argument, any evidence, anything said, whether from the bar or the bench", in the course of the Australian proceedings which would be a breach of the injunction.

Lord Templeman, one of the majority judges said: "I am not prepared to have the substance of what this House has ordered set at nought by something happening in Australia over which we have absolutely no control."

Mr John Mummery, counsel for Sir Patrick Mayhew, the Attorney-General, made clear he was not asking for the original injunction to be widened.

The Law Lords gave no reasons for their decision. They indicated that their detailed judgments would probably not be available before September.

They dismissed appeals by The Guardian, Observer and The Sunday Times, which had asked that temporary injunctions against them be lifted, and allowed a cross-appeal by the Attorney-General against the Court of Appeal's dilution of the original injunction last Friday.

The ban will remain in operation until the full trial, which is not expected for some months. At the trial, the Attorney-General will ask for the order to be made permanent on the grounds that Mr Wright has breached his duty of confidentiality to the Crown.

The Law Lords' order does not prevent references to attributions to Mr Wright in published books by Mr Chapman Pincher, a writer on intelligence matters, or in a Granada Television programme about Mr Wright broadcast last year.

Mr Ken Dodd, executive editor of The Guardian, said afterwards that the decision "defies all logic and commonsense and its potential for the repression of the British Press is enormous."

Mr Andrew Neil, The Sunday Times editor, said the ruling was absurd and made the law an ass. He called for a Bill of Rights to defend freedom of speech in Britain.

Journalists in Britain would have to learn what it was like to be a journalist in the Soviet Union — it was like living in a totalitarian country, he said.

The next stage of the UK part of the Spycatcher affair is likely to be the resumption of the contempt of court cases brought by the Attorney-General against the Independent, the now closed London Daily News, the London Evening Standard and the Sunday Times.

The first three newspapers published extracts from Spycatcher; the Sunday Times has published the first instalment of a proposed serialialisation of the book.

The Court of Appeal has ruled that even a newspaper against which no injunction had been made preventing the use of Wright material could be guilty of contempt of court if it published his allegations.

Sir John Donaldson, the Master of the Rolls, said that such publication would be in contempt if it were proved that the newspapers intended to "impede or prejudice" the administration of justice.

The intent, Sir John said, "need not be expressly avowed or admitted but can be inferred from all the circumstances - including the foreseeability of the consequences of the conduct."

Mr Neil Kinnock, the Labour leader, said the ruling defied all commonsense.

From the backbenches, Mr Tam Dalyell, the Labour MP for Linlithgow, also expressed concern about the implications for press freedom and said it was "highly significant that the man who knows most about security among the Law Lords, Lord Bridge, former chairman of the Security Commission, was one of the two dissenters."

Editorial Comment, Page 16

THE LEX COLUMN

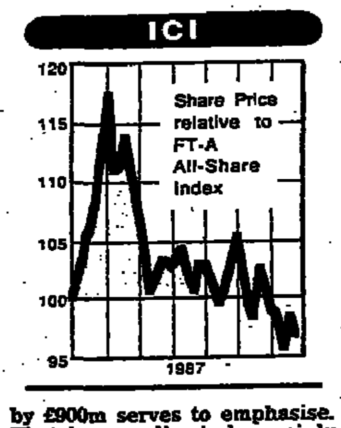
The charge of the Heavy Brigade

ICI's insistence on presenting itself as a new-style speciality company is starting to look old-fashioned. The mid-year results show its veteran battalions - general chemicals and petrochemicals - still charging ahead, accounting for more than half the profit increase for the six months and the bulk of the 13 per cent increase in volume.

This is not necessarily a return to old-style cyclical earnings, or not yet anyway. The fall in the group's selling prices in the first quarter was reversed in the second; it seems the rise in feedstock costs can still be passed on, at least while capacity shortage persists in European petrochemicals. After the hard lessons of the early 1980s, that could be some time.

The overall profit improvement came despite a write-off of £10m or so by the lately-acquired Garst Seeds for seed despatched to impecunious US farmers and now mouldering in their barns. The Stauffer agrochemicals acquisition in the US, plainly, is going to be a long haul. But then ICI has already recouped $600m of Stauffer's $1.9bn purchase price, and could bring the total to about $1bn with the auction now going on for the other unwanted bits. So much for the rumour of a rights issue, or so the market hopes.

Yesterday's fall in the share price - down £½ to £15⅞ - was chiefly a matter of market weakness, and with forecasts still around the £1.3bn mark the prospective multiple is under 14. Not very generous, but then it never was.



Invisible earnings

Before the bankers and brokers start swelling with patriotic pride at the 41 per cent rise in the overseas earnings of financial institutions in 1986, they ought to remember that their less glamorous cousins in the insurance industry are responsible for about half of the increase. Thanks to the insurance cycle and the huge rise in US premiums, UK insurance earnings have risen from £2.9bn to £4.3bn. No wonder the Inland Revenue has been trying to tighten its grip on Lloyd's underwriters.

The total figure - up from £6.6bn to £9.4bn - is a notoriously unreliable estimate, as the downgrading of the 1985 figure by £900m serves to emphasise. That downgrading is due mainly to a pre-Big Bang reduction in margins not allowed for by the statisticians, but is almost cancelled by the lower remittances of the foreign banks to pay for all those dealing rooms. Otherwise the revolution in the London markets has little bearing on these figures. What does affect them is the fall in the exchange rate, the continued increase in foreign porfolio investment (boosted by buoyant world stock markets), and the artificially depressed foreign earnings of UK banks in 1985. But a set of figures which fails to account for the Euromarket earnings of non-bank institutions and does not distinguish between earnings from trading and investment income is not really doing its job.

Barclays

If Barclays had produced these interim figures at the outset of the banking results season, then its share price would probably have held firm. But its domestic banking profits growth of 28 per cent looked suddenly unimpressive, coming after 50 per cent gains at Lloyds and Midland and a 70 per cent rise from National Westminster. And Barclays' admission that it had no idea why the proportion of its funding from current accounts had fallen, while rivals enjoyed a rise, did not help.

Even so, the 5 per cent drop in the share price, to 621p, will probably be seen as over-reaction in a few days time. It is also clear that the market had over-estimated the extent of Barclays' previous provisioning against LDC debt, so that the £570m exceptional charge, required to bring its LDC provisions up to the latest arbitrary peer-group norm of 30 per cent, was much bigger than expected.

In one key strategic area, Barclays is showing its clearing bank rivals a clean pair of heels. Barclays de Zoete Wedd managed to make £25m, or a return on capital of about 20 per cent. NatWest's investment banking operations barely broke even while Midland and Lloyds have found Big Bang a big headache. Admittedly Barclays had to write off about £140m of goodwill in forming BZW, but the company has shown that it pays not to settle for second best in the securities business.

Next year Barclays could make £1.3bn pre-tax, which leaves the shares on a multiple of 5.6 times 1988 earnings. If the new level of provisions bears some relation to reality, then the discount to the market is too wide.

Hillsdown

Yesterday's £125m convertible Eurobond from Hillsdown ought to be welcomed by its shareholders, if only because the alternative was probably a rights issue. It may be a lukewarm reception, though. Investors have become exceedingly nervous of the volume of paper which has emerged from the company, and the shares have performed much in line with the market over the past year despite the group's continued expansion. Only the fact that the issue is a vendor placing for the Maple Leaf acquisition - the bonds being placed instead of shares - gets it past the pre-emption rights guidelines.

It is in fact a rather neat way of financing a purchase, and one which other acquirers will no doubt wish to follow. Hillsdown ends up with cheap debt - in this case saving about £6.5m in a full year on the interest bill - and on conversion the shares will be issued at a premium to the current price of up to 28 per cent rather than the usual placing discount of 5 per cent or more. Thus the deal will enhance earnings per share, even on a fully diluted basis. Then again, Hillsdown's gearing was well over 100 per cent before the deal. Although there may be a few surplus assets around to sell, any more takeovers will require even more innovative financing if the printing press is not to be employed again.

First Chicago plans major restructuring

BY DAVID OWEN IN CHICAGO

FIRST CHICAGO Corporation, the 11th largest US banking group which last month bought a 35 per cent stake in Wood Gundy, the Canadian securities dealer, is to restructure its international business in a bid to improve financial returns.

The move will result in the sale, closure, or substantial reduction in scale of offices in France, West Germany, Italy, Ireland, Sweden, Greece, Singapore, Dubai and Panama. In addition, a special third quarter charge of up to $25m-$30m may be incurred.

The group attributed its decision to the decline in profitability of traditional lending products, coupled with increases in its trading and capital market revenues.

Accordingly, it intends to focus its overseas activities on the provision of cross-border capital markets, trading and operating products in six key financial centres: Chicago, New York, London, Tokyo, Geneva and Hong Kong.

"Our goal is to be a preferred provider of corporate finance, trading and operating services delivered principally from global financial centres to our targeted customers worldwide", said the chairman, Mr Barry Sullivan. "The overall effect of this strategy will be a more focused, efficient and profitable network to serve our customers internationally."

Recently, First Chicago's global corporate bank, which has assets of some $30bn, has been the one area of the group's operations to lag behind its 15 per cent target rate of return. In May, Mr Sullivan expressed the expectation that this aspect of First Chicago's business would decline in relative importance over the next five years.

The current move is seen as complementary to the group's recent investment in Wood Gundy, which is intended to enhance its global capital markets capability, particularly in international securities and equity underwriting and Eurobond trading.


First Chicago chairman Barry Sullivan: planning a more efficient and profitable network

US arms control director in surprise resignation

BY STEWART FLEMING, US EDITOR IN WASHINGTON

DIRECTOR of the US Arms Control and Disarmament Agency, Mr Kenneth Adelman, announced his resignation yesterday only days after the White House had signalled the possibility of a US - Soviet summit which could produce an agreement to eliminate all intermediate range nuclear weapons.

In a letter to President Ronald Reagan, Mr Adelman, whose resignation had not been expected, said that Soviet leader Mr Mikhail Gorbachev's announcement last week to drop insistance on retaining 100 medium-range warheads in Asia was the clearest indication that the Soviets at long last were prepared to compromise.

He added: "I feel I have accomplished what I set out to do: to help you chart a new course for US-Soviet arms control that dramatically reduces neulear weapons and helps reduce the risk of nuclear war."

A Congressional Soviet relations expert pointed out that the nearer the superpowers come to a summit meeting - one could take place as early as November - the greater will be the State Department's influence on decisions. The agency, an autonomous organisations, has the role of advising the President and the Secretary of State on arms control.

Some arms control experts in Washington expressed surprise that Mr Adelman had quit at this stage. They said that although he felt that he had accomplished what he had set out to do, considerable detailed negotiating still remained.

Mr Adelman's appointment in 1983 was controversial. He is seen as an official who came from the conservative wing of the Republican Party and who shared profound scepticism about the arms control process between the US and the Soviet Union as it had been conducted in the 1970.

But one arms control expert said that Mr Adelman had worked hard and effectively to support the President's policy.

Barclays Bank makes £40m pre-tax losses

BY HUGO DIXON IN LONDON

Barclays, Britain's second largest clearing bank, announced a pre-tax loss of £40m ($63.6m) for the six months to June 30th - only the second clearing bank to report a loss. Lloyds Bank, which reported a loss of £697m last week, was the first.

The loss was a result of Barclays' decision to follow the recent practice among international banks of making large provisions against loans to Third World and other countries.

Barclays' provisions of £570m were charged against profits, in line with the approach adopted by National Westminster Bank, Lloyds and most US banks. It was in contrast to Midland Bank's decision to treat its provisions as an extraordinary item, which did not count against reported profits.

The extra provisions increase Barclays' loan loss reserve to £787m - or 25 per cent of its exposure to 27 problem countries. If developed countries such as South Africa, which owes Barclays £623m, are excluded, the cover is 30 per cent of exposure.

Mr John Quinton, Barclays' chairman, said it was not necessary to make as large provisions for South Africa, because it is "basically a reasonably wealthy country".

Barclays' underlying profit, before debt provisions, of £530m was an increase of 22 per cent on the comparable period last year.

Within this figure, investment banking did particularly well, but domestic banking was sluggish by comparison with results announced by Barclays' competitors.

Barclays de Zoete Wedd, the investment bank, earned pre-tax profits of £25m, up 25 per cent in spite of heavy investment running into tens of millions of pounds on building up its Tokyo office and Eurobond business.

Sir Martin Jacomb, BZW's chairman, said the investment bank had benefited from the boom in share trading since last year's Big Bang deregulation of the City of London.

Although he admitted the stock exchange as a whole was having problems in settling bargains, Sir Martin, who is also a director of the Bank of England, said there was no need to close the stock exchange or for the Government to delay its privatisation issues.

Mr Quinton seemed more sanguine than his predecessor as group chairman, Sir Timothy Bevan, who last year warned about the dangers of consumers borrowing more than they could afford to repay.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	25	77	Dubrovnik	S	28	82	Malta	S	28	82	Rhodes	S	30	86
Algiers	S	30	86	Edinburgh	F	15	59	Manchester	C	16	61	Rio de Jo	C	33	91
Amsterdam	F	19	66	Faro	S	23	73	Manila	C	33	91	Rome	F	28	82
Athens	F	31	88	Florence	F	28	82	Melbourne	F	13	55	Salzburg	C	20	68
Bahrain	S	41	106	Frankfurt	R	20	68	Mexico City	C	25	77	San Francisco	S	20	68
Bangkok	S	34	93	Funchal	F	23	73	Miami	S	27	81	Seoul	R	22	72
Barcelona	F	25	77	Geneva	S	25	77	Milan	TH	28	82	Singapore	S	32	92
Beirut	S	32	90	Gibraltar	S	27	81	Montreal	S	12	54	Stockholm	F	17	63
Belfast	C	15	59	Glasgow	C	14	57	Moscow	R	15	59	Strasbourg	C	21	70
Belgrade	S	27	81	Guernsey	S	17	63	Munich	R	16	61	Sydney	F	15	59
Berlin	C	21	70	Helsinki	F	17	63	Nairobi	F	23	73	Taipei	C	43	93
Biarritz	C	20	68	H. Kong	R	27	81	Naples	S	29	84	Tangier	F	24	75
Bombay	F	31	88	Innsbruck	F	20	68	Nassau	S	33	91	Tel Aviv	S	31	88
Bordeaux	C	20	68	Inverness	R	14	57	New Delhi	S	38	100	Tenerife	S	26	79
Brussels	C	17	63	Islamabad	C	23	73	New York	S	23	73	Tokyo	S	34	93
Budapest	S	27	80	Istanbul	F	27	81	Nice	S	25	77	Toronto	C	26	79
B. Aires	C	14	57	Jakarta	C	34	93	Nicosia	S	42	107	Tunis	S	36	97
Cairo	S	34	93	Jersey	F	19	66	Oporto	S	24	75	Valencia	S	29	84
Cape Town	S	17	63	Jo'burg	S	19	66	Oslo	R	15	59	Venice	F	27	81
Caracas	R	27	81	Lima	C	20	70	Paris	C	17	63	Vienna	C	26	78
Casablanca	F	23	73	Lisbon	S	23	73	Peking	-	-	-	Warsaw	F	21	70
Chicago	C	33	91	London	C	18	64	Prague	S	24	75	Washington	S	24	75
Cologne	C	18	64	Los Angeles	C	18	64	Reykjavik	C	10	50	Zurich	C	18	64
Copenhagen	C	14	57	Luxembourg	C	17	63								
Corfu	S	30	86	Madrid	S	26	79								
Dallas	-	-	-	Majorca	F	28	82								
Dublin	C	19	66	Malaga	S	33	91								

Readings at mid-day yesterday
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

US budget clash looms

Continued from Page 1

budget reform law which would set targets for eliminating the budget deficit by 1991.

New deficit reduction targets, falling from $150 bn in the current fiscal year and $130 bn in 1988 to zero in 1991, are proposed.

But budget experts point out that although the deficit is officially projected to fall to around $155 bn this year it is expected to begin to rise again to over $180 bn in 1988. It is hard, they say, to conceive of Congress and the White House reaching agreement in an election year on the $50 bn of deficit reductions which would be needed to reach the $130 bn target for 1988.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Friday July 31 1987

Lower costs provide boost for Greyhound

By Our Financial Staff

GREYHOUND, the diversified US manufacturing group which recently sold its bus lines for $350m, yesterday reported a 32 per cent rise in net earnings from continuing operations to $22.3m, or 57 cents a share, from $16.9m, or 36 cents, a year earlier.

After an extraordinary charge of $2.7m, net earnings emerged at $19.6m, or 50 cents a share. In the 1986 quarter, $51.9m in major non-recurring charges, and a $89.5m gain on the sale of 5.1m ConAgra shares lifted final net to $47.7m, or $1.01.

The increase in earnings on a continuing basis resulted from improvements in transportation manufacturing, services and consumer products results, and lower corporate and other costs. These factors more than offset a decline in financial group results.

In transportation manufacturing, where Greyhound recently bought General Motors' bus manufacturing business, results increased substantially from the depressed levels of 1986, according to Mr John Teets, Greyhound's chairman and chief executive.

Consumer products profits rose more than 6 per cent over the 1986 quarter and were on plan, as the household and laundry products division continued to recover from problems in the second half of 1986.

Within the company's financial group, continuing high claims losses at the Verex mortgage insurance subsidiary and reduced realised gains on investments resulted in a $6.7m decline in earnings before non-recurring items. Greyhound said efforts to sell Verex were continuing.

Final net income for the first six months of 1987 was $53.3m, or $1.35 a share, against $58.8m, or $1.24. Revenues edged up from $1.21bn to $1.24bn.

Kodak continues advance with record quarter

BY OUR FINANCIAL STAFF

EASTMAN KODAK, the world's largest producer of photographic products, has underscored its recovery with another big increase in profits. All areas of its business contributed to the growth which was helped, in overseas markets, by the fall of the dollar.

Net earnings for the second quarter ended June 30 were a record $381.9m, or $1.60, compared with a loss of $12.2m, or 6 cents a year earlier. The latest figure included $48m in gains from sale of foreign assets and changes in the pension programme, while last year's figure reflected heavy restructuring charges.

First half net was $539.9m, or $2.39, compared with $36.4m, or 16 cents a year earlier. Excluding special items, net profits in the quarter and half were double those a year earlier.

Sales rose to a record $3.21bn in the quarter from $2.7bn and to $5.86bn in the first half from $5.04bn.

"While the sales gains have been broadly based, we are particularly encouraged by double-digit increases in shipments of colour films and papers for both amateur and professional use," Mr Colby Chandler, chairman, said.

In addition, sales of graphic arts materials, copy products, medical films, clinical diagnostic analysers, chemicals and polymers for packaging grew faster than expected.

Total sales of the "imaging segment" rose 21 per cent to $2.2bn in the quarter from domestic growth of 14 per cent and foreign growth of 30 per cent.

Sales of the chemical segment rose 8 per cent to $591.9m with domestic growth of 4 per cent overshadowed by foreign growth of 22 per cent.

Bethlehem Steel posts $46.8m net profit

By our New York Staff

BETHLEHEM STEEL, the third largest US steel producer, has confirmed a steady improvement in the US steel business. It posted a net profit of $46.8m or 79 cents a share in the second quarter, and declared a dividend on its $225m of preferred stocks for the first time in more than a year.

A dividend of $1.25 will be paid on its $5 cumulative preferred and 62.5 cents will be paid on the $2.50 convertible preferred.

The second-quarter profit compared with a loss of $23.8m in 1986 and marked the third profitable quarter in succession for Bethlehem. It comes after nearly five years of disastrous performance in which the company's net losses accumulated to more than $2bn.

In the first quarter this year Bethlehem made profits of $25.6m and in the previous quarter it made $34.2m. Until the latest quarter, however, Bethlehem's gains were widely attributed to a six-month strike at USX, the leading US steelmaker.

First-half profits totalled $72.4m a share compared with a loss of $115.6m last year. Revenues for the second quarter improved to $1.13bn from $1.09bn, making $2.26bn for the latest half-year against $2.28bn last time.

In response to the better-than-expected profits and the re-instatement of a preferred dividend, Standard & Poor's, the influential bond-rating agency, lifted its rating for Bethlehem's preferred stock to CC from C. However, other classes of Bethlehem's huge marketable debt remained unaffected.

Last year, following the bankruptcy filing by LTV, the second-largest US steelmaker, there was widespread speculation that Bethlehem might also be forced to seek court protection and its $1.2bn debts were downgraded to junk-bond status.

The marked improvement in Bethlehem's performance comes after strong results reported on Tuesday by USX.

A STRUGGLING US INDUSTRY BANKS ON TIE-UPS

All change in oil services sector

BY NICK GARNETT IN LONDON

THE RECENTLY announced merger of Hughes Tool with Baker International marks another step in the most dramatic restructuring and shake-out in the history of the US oil service and mining equipment industry.

In the past two years a series of acquisitions, mergers and joint ventures and a shuffling of businesses between the biggest companies have changed the face of ownership in this hard pressed sector and among the manufacturing companies that serve it.

In particular six of the big names have been involved in a web of joint ventures, co-operation agreements and business mergings: Ingersoll Rand with Dresser Industries, Hughes with Baker, and Cooper Industries with Joy have been pairing off to position themselves better in this highly competitive industry.

The kinds of manufacturing and service operations involved vary a good deal. They include compressor manufacturing, drill rig businesses, tools and bits for mining and oil extraction, pipes and valves, well pumping and wirelines.

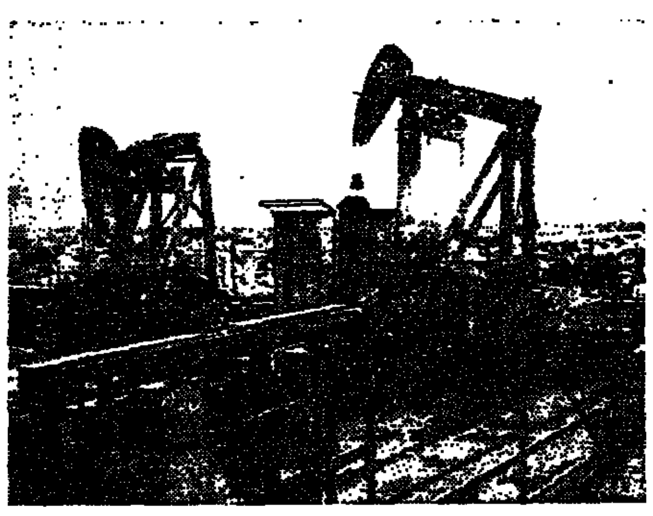
Wirelines are electronic devices lowered into bore holes to analyse rock and soil formations.

Restructuring has been largely confined to US companies. European businesses in the same industry have generally escaped the need to reshuffle in this way.

However, one significant development was the recent purchase of Chicago-Pneumatic's power tools and assembly systems by Atlas Copco, the Swedish company which vies with Ingersoll for the slot of the world's leading compressor maker.

The pressures forcing these changes have been severe. US equipment suppliers have been under particular strain because of the downturn in mining followed by the severe contraction of the oil industry, particularly in the US.

Worldwide the number of active oil rigs slumped from a peak of 4,350 at the end of 1981 to less than 700 by the middle of last year.



Nodding off: rig activity has slumped since 1981

According to Atlas Copco figures the US market for direct equipment used in the oil drilling industry, excluding compressors, fell from $40bn in 1981 to less than a quarter of that last year.

Mr Vihnu Swarap, an analyst at Pru Bache in New York says employment in the American oil service industry has tumbled by 60 per cent in the past few years.

Out of a hundred US companies supplying equipment and services, 75 per cent were in loss last year. These included Smith International, the second largest US drill bit maker which has filed for Chapter 11 protection and Halliburton, a leading pressure pumping services and tools company.

The only sizeable company in this business which made a profit last year was Schlumberger, a big manufacturer of wirelines.

Some of the restructuring has aimed to lower overheads and cut costs and one effect has been to concentrate businesses in fewer hands. For example, eight or 10 companies made drilling fluids a few years ago. Today this activity is largely confined to the Hughes-Baker merged business.

As part of these structural changes Ingersoll and Dresser have combined their gas compressor businesses in a 50-50 company renamed Dresser-Rand with an $800m combined turnover. Ingersoll retains its own air compressor manufacturing.

At the same time they combined their businesses in portable oil well drill rigs, forming a company called IRI Drillings in which management holds a 20 per cent stake.

Ingersoll meanwhile spun off its two underground coal mining machinery operations, Lee Norse and S and S Corporation which produce continuous mining equipment and mine sevice vehicles.

This has been put into a joint venture company in which Mr B.R. Simmons, co-founder of S and S holds 50 per cent.

Meanwhile Dresser has put its drill fluid interests into a joint venture company with Halliburton. Dresser has sold off its oil pumping business to Hughes Tool, the original foundation company for the Howard Hughes fortune.

Dresser has continued this divestment path by selling its wirelines business to Litton Industries. The former Dresser operations are being incorporated into Litton's Western Geophysical which carries out seismic exploration for the oil and gas industry.

Baker International has merged with Hughes Tool in a $1.8bn deal. While the on-off talks on this merger were under way Baker acquired part of International Mine Services and Jarvis Clark and sold off Reed Tool, a drill bit maker to Camco, the US-based oil services subsidiary of Pearson, the UK holding company which owns the Financial Times.

Joy was bought by its management in a leveraged buyout and has been rationalising. Its oil field equipment interests including gas compressors were sold to Cooper, which is merging it with its own much larger compressor business.

As part of this ownership rejigging Illinois-based Sundstrand, which bought the Sullair compressor business in the early 1980s, is negotiating to buy Joy's remaining compressor activities.

Sundstrand has just divested its hydraulic pump and motor business into a 50/50 joint venture with Sauer of West Germany.

Mr Tom Wachtmeister, Atlas Copco president who has been watching this reshuffle in the US calls the changes "dramatic."

"One of the consequences is likely to be that certain companies will create resources with which to offer more advanced technology than they have done to date," he says.

"I believe it is necessary to have some of these things going on but you will not see so many of them in Europe."

Many observers believe that the US oil services and equipment industry has how turned the corner: "The industry is beginning to recover," says Mr Swarap.

"I would say that there will still be some more consolidation but the bulk of it might be behind us now."

Italtel 51% ahead at half-way stage

BY ALAN FRIEDMAN IN MILAN

ITALTEL, the Milan-based Italian state telecommunications equipment maker which is merging with Fiat's Telettra subsidiary, yesterday reported a 51 per cent jump in its consolidated net profit for the first half of 1987, to L58.1bn ($43.4m).

The increase was struck on a 7.7 per cent rise in sales in the first half to L850.3bn. Italtel made a L75.1bn consolidated net profit on revenues of L1,315bn for the whole of 1986.

Telettra, the Fiat data transmission subsidiary which will be combined with Italtel to create Telit, a merged umbrella company, had annual revenues in 1986 of L555bn.

Mrs Marisa Bellisario, Italtel managing director, said yesterday that sales of the Linea UT public digital switching system helped the company's performance.

Linea UT sales rose 34.2 per cent to L144.2bn in the first six months of 1987. Earlier this week, Italtel agreed to license Siemens of West Germany to produce the Linea UT system through its holding in GTE of Italy.

Italtel's total net debt as at June 30 was down to L280bn from L438bn at the end of last year. This reduced interest charges to 2.7 per cent of revenues, against 4.9 per cent a year before.

Amax to raise over $112m in unit sale stake

By Stephen Fidler in London

AMAX, THE US metals and mining group, will raise more than $112m through the sale of a stake in its gold mining subsidiary, Amax Gold.

Amax is offering the shares at $26.50 each, valuing the subsidiary, whose main asset is a gold mine in Nevada, at more than $1bn. Fees total $1.55 a share.

About 2.02m shares are being offered in the US, and 1.23m both in Canada and in European and other international markets.

Amax will retain the rest of the subsidiary's 40m shares. The offering is being lead managed by Merrill Lynch Capital Markets.

The initial pricing indication suggested that the shares would be offered at between $22 and $25. However, the range was later revised to $25-$28.

General Re and Travelers book solid improvement in earnings

BY OUR NEW YORK STAFF

GENERAL RE Corporation and The Travelers Corporation, two big US insurance groups, have registered strong second-quarter earnings gains, reflecting a solid improvement in reinsurance operations and continued recovery in the cyclical property/casualty insurance industry.

General Re increased its second-quarter operating income by 64 per cent to $118.9m, or $1.16 a share, while The Travelers increased operating income in the same period by 24 per cent to $113.9m, or $1.10 a share.

General Re's combined underwriting/expense ratio for the domestic property/casualty companies improved from 103.77 to 99.95 in the second quarter but worldwide net written premiums fell by 5.6 per cent to $666.4m.

The company said the decline in property/casualty premium in the second quarter resulted mainly from increased client retentions of facultative property/casualty business. There was little or no evidence of deterioration in its reinsurance pricing.

The group's domestic life reinsurance results were much improved in the second quarter because of the restructuring of life operations in early 1986.

General Re said underwriting results continue to improve over previous quarters although results were still below goals.

Mr Edward H. Budd, The Travelers' chief executive, said the group's property/casualty businesses were performing strongly. "The improvement in personal lines continued as price increases and more selective underwriting produced lower loss ratios."

His company was concentrating its sales efforts in states which had the most favourable experience and regulatory environments.

"The commercial lines market has reached a more normal competitive state after several years of great volatility. We are achieving appropriate price increases in this period and focusing on selective underwriting to sustain satisfactory returns", Mr Budd said.

The Travelers' earnings per share rose by 23 per cent to $2.15 in the first six months of 1987 and General Re's operating income per share rose by 77 per cent to $2.25 for the same period.

Forest products group raises newsprint output

BY ROBERT GIBBENS IN MONTREAL

CANADA'S LARGEST forest products company, MacMillan Bloedel, controlled by Noranda, is returning a standard newsprint machine to production at its Powell River mill in British Columbia to meet strong international demand. This will add 65,000 tonnes of capacity early in 1988.

With higher prices for forest products, favourable currency factors and lower overheads, MacMillan earned C$74.6m or 68 cents a share in the second quarter, up from C$49.1m or 44 cents a year earlier on sales of C$806m (US$606m) against C$698m.

First half profit was C$135m or C$1.22 a share against C$78.3m or 66 cents a year earlier, on sales of C$1.53bn against C$1.31bn. The latest period excludes a C$45m gain on the sale of an investment in a Netherlands paper producer.

MacMillan will benefit from more pulp and newsprint price increases effective from July 1 and favourable results are expected in the second half.

The company said the number six machine at Powell River, which was shut down in 1985 because of overcapacity and poor prices, will be upgraded for C$6m and start up on January 1.

British Columbia Forest Products, now controlled by Fletcher Challenge of New Zealand, is going ahead with a US$350m programme at its subsidiary, Blandin Paper Company, in Michigan.

It will put in a lightweight, coated groundwood paper machine and raise total capacity to 500,000 short tonnes from 280,000 short tonnes.

The start-up is due December, 1989. Pulping capacity will be increased but Blandin will also draw on BC's forest market capacity in British Columbia.

The project is being financed by US debt issue by Blandin and cash flow.

● Cominco, one of the world's leading producers of zinc and lead, returned to profitability in the second quarter, with firming metal prices and reductions on overheads.

The former mining and metals arm of Canadian Pacific and now controlled by an international group headed by Teck Corporation, Cominco reported operating net profits of C$14m or 14 cents a share against a loss of $9.1m a year earlier, on sales of C$269m against C$280m.

First half operating profit was C$19.5m or 15 cents a share against a loss of C$35.7m on sales of C$518m against C$496m. Including a C$17.5m gain on the sale of an investment, profit in the latest period totalled C$36.5m or 40 cents a share.

Sharp income fall at Dead Sea Works

By Judith Maltz in Tel Aviv

DEAD SEA WORKS, Israel's largest natural resources concern, has reported a 39 per cent drop in its earnings for the year to March, after being the country's most profitable company in its previous financial year.

A subsidiary of state-owned Israel Chemicals, Dead Sea Works showed latest annual profits of US$38.5m. Because of recent accounting changes, the company paid no taxes. Mr Aryeh Shachar, managing director, blamed the sharp drop in profitability on the worldwide fall in the price of potash, the company's main product.

However, he said he was encouraged by the fact that Dead Sea Works was again the only potash supplier in the world to end in the black last year. Contributing to the downturn was the government's insistence on keeping the exchange rate virtually frozen last year, while domestic costs continued to rise.

A factor which helped the company remain in the black, in spite of the potash price fall, was an increase in sales. More than 2m tonnes of potash and various types of salts were sold in 1986, mostly overseas, representing an 11 per cent increase over the previous year.

UMW claws its way back to profitability

Wong Sulong on the bitter medicine taken by a Malaysian engineering group to restore its fortunes

UMW (United Motor Works), the Malaysian engineering and heavy equipment group, is slowly clawing its way back to profitability after verging on bankruptcy last year.

The group, which distributes Komatsu tractors, Toyota and Proton Saga cars, plus engineering equipment for almost every sector of the Malaysian economy, has been forced by its bankers to take some very bitter medicine.

According to Dato Eric Chia, UMW's chief executive, who has been its driving force for the past 20 years, the group is expected to make a small loss this year, largely because of the depressed car market, but should return to profitability in 1988.

The logging industry in East Malaysia is making a swift turnround, with a recovery in timber prices and an improvement in political stability. For example, Dato Chia says UMW should sell 350 tractors in East Malaysia this year — fewer than half that number were sold in the whole of the past three years.

There has also been a big improvement in debt collection. UMW is now collecting between 15m and 20m ringgit (US$6m to US$8m) a month. "A year ago, collecting 5m ringgit a month in East Malaysia was like collecting blood," says Dato Chia.

He describes the four years of vicissitudes that afflicted the group as "like an earthquake. You name it, we were hit by almost every misfortune you can think of. We had the tin market collapse, two years of heavy rain in Saradak, a year of political unrest in Sabah, th contraction of the construction industry, the appreciation of the yen, and the collapse of the car market. We were affected by all these."

From an after-tax profit of 19.6m ringgit and a turnover of 1.1bn ringgit in 1982, UMW slipped rapidly into the red. Last year, net losses rose to 82m ringgit on a turnover of 616m ringgit.

As part of the deal under which the banks agreed to reschedule 185m ringgit of overdue loans, UMW had to embark on a sweeping restructuring programme.

The workforce was slashed from 8,500 to 4,500. Non-core businesses and assets, including a cocoa plantation and a light aircraft, were sold. Excess stocks were returned to principals wherever possible. The process is continuing.

Recently, the directors announced a capital restructuring scheme. The group's paid-up capital of 145m ringgit will be brought down to a quarter, but will be raised back to the original figure through rights and convertible loan stock issues.

The rights issue will bring in more than 70m ringgit which will be put towards reducing loans in the heavy equipment division from 170m to 100m ringgit. This should place the group on a better financial footing, and banks are more likely to agree to new credit lines on better terms.

Th problems with the car division have also been sorted out. By allowing the Toyota group of Japan to increase its stake in Sejati Motors from 15 to 28 per cent, the Japanese will take care of all present and financial needs of the joint venture company.

With Porton, the Malaysian car, capturing 80 per cent of the local market below 1,600 cc, Toyota is now aiming at the more affluent segments of the market.

Investors appear to approve the measures taken by UMW to restore its fortunes. Its shares have recovered from 30 cents last year to a current trading range just either side of the 1 ringgit mark.

Dato Chia concedes that the buoyant years of the late 1970s and early 1980s for the heavy equipment and tractors industry will probably never come back. "But there are now only two in the field—UMW and Tractors Malaysia (a Sime Darby subsidiary). In 1981, there were five." He reckons that UMW and Tractors will split the market equally.

Heavy equipment sales are expected to be boosted with the launching of the 3.5bn ringgit North-South Highway programme and the gas pipeline from Trengganu to Kuala Lumpur and Singapore.

After dropping its non-core business, the group has picked up some profitable engineering sidelines. For example, it has exported 100 units of refurbished tractors to Thailand, Papua New Guinea, Australia and the UK.

This business was formerly controlled by the Japanese, but they gave it up because of the high yen. There are between 10,000 and 15,000 old tractors in Malaysia, and with the high price of new machines, it is worth while to refurbish many of them for export.

UMW has also signed a deal with Bomag of West Germany to produce drums and frames for its steam rollers for the US market. It is also talking to Komatsu about the prospect of making tractor parts for Komatsu's clients in south-east Asia, Australia and the Midlde East.

"When the yen was cheaper, we were an importer. Now, we are an importer, repairer and exporter. We are looking for profitable niches in the engineering fields that one day may evolve into something very big," says Dato Chia.

AFP in resources joint venture

BY CHRIS SHERWELL IN SYDNEY

AFP INVESTMENT, the fast-growing Australian investment group, has entered a new field of business by starting a resources company under an agreement with Australian Consolidated Minerals (ACM), an important Perth-based gold producer.

The new company, Armada Resources, will acquire ACM's nickel interests and part of its oil and gas and zinc interests, thereby allowing ACM to concentrate more on gold mining and exploration.

Armada and ACM have also entered into a joint venture 75 per cent owned by ACM under which both groups will offer all new gold exploration and investment opportunities to the joint venture first.

Both companies are to be managed on a cost-recovery basis by a jointly-owned management company staffed by ACM's key executives, including joint managing directors Mr Ken Fletcher and Mr David Burt. The two men will join AFP's Mr John Gerahty and Mr Peter Scanlon on Armada's board.

An announcement yesterday said Armada's intention was "to invest in and manage projects and companies involved in a diverse range of commodities in the resources sector (including syndicated investments) and in its own right to carry on exploration."

To raise A$100m (US$69.9m), the company intends making institutional placements of shares amounting to A$43m, of which A$30m will be subscribed by AFP, and a one-for-two non-renounceable rights issue of A$57m to ACM shareholders.

Apart from the 30 per cent stake this capital-raising will give to AFP, the main shareholdings in Armada will be an 11 per cent stake held by the AMP Society and a 10 per cent stake held jointly by Metall Mining Corporation, a subsidiary of Metallgesellschaft of West Germany, and Deutsche Bank.

Armada's three initial acquisitions from ACM are:

- Full control of Mt Keith Holdings, which has a half share in the Mt Keith nickel joint venture with BP Australia and MIM in Western Australia.
- 30 per cent of Murchison Zinc Holdings, which has 31 per cent of the Golden Grove joint venture, also in Western Australia, offering zince, copper, silver and gold.
- 30 per cent of Australian Petroleum Development Holdings, which has various oil and gas interests. With this company and with Murchison, ACM intends to float its remaining 70 per cent holdings "as soon as practicable."

Bank of East Asia profit up 12.8% at six months

BY KEVIN HAMLIN IN HONG KONG

BANK OF EAST ASIA, the Hong Kong based financial concern which has close links with China, recorded consolidated profit after taxation and transfer to inner reserves up 12.8 per cent to HK$ 68.83m (US$8.8m) for the six months to June.

Mr David Li, chief executive, said the actual improvement in net profit was "much higher" than that reported, and added that the bank wants to show "consistent growth." Through the use of inner reserves, Hong Kong banks can effectively report results of their own choosing.

Loan demand has seen strong growth in the territory this year, and analysts view this as a broad indicator of the profit growth banks should experience.

The bank's lending had increased 20 to 25 per cent during the period, said Mr Li, with export financing up 35 per cent, and housing loans up 22.5 per cent. Analysts estimate that local banks will see average real growth in net profits of some 20 per cent this year.

Mr Li said the bank has board approval to look at the possibility of adding two retail branch offices to the existing office it now has in New York, and it is also "studying the possibility of establishing a wholly-owned bank in Canada." Both moves are likely to take place in the next six months.

The bank has two other overseas branch offices, in Singapore and Shanghai, and has applied to have its representative office in Guangzhou upgraded to a branch. The bank plans to add two branches in Hong Kong in the next few months, bringing the total to 53.

Setback for Asahi Glass

BY YOKO SHIBATA IN TOKYO

ASAHI GLASS, Japan's largest comprehensive glass manufacturer, yesterday reported a 5.3 per cent drop in consolidated net profits to Y28.32bn ($187.9m) for the first half to June, despite a 2.3 per cent rise in turnover to Y836.45bn.

The dull performance was attributed to higher depreciation costs resulted from the company's investment in plant and equipment as well as to sluggish sales.

The parent company is maintaining an interim dividend of Y4 per share on pre-tax profits up 5.2 per cent to Y27.82bn. For the full year, Asahi Glass projects its group net profits at Y30bn, up 7 per cent, on turnover of Y870bn, a rise of 3 per cent from the previous year.

INTERNATIONAL COMPANIES and FINANCE

Siemens hit by tough competition

BY ANDREW FISHER IN FRANKFURT

SIEMENS, the West German electrical and electronics group, experienced a 4 per cent drop in net profits to DM 949m ($513m) in the first nine months of its financial year to September 30 1987.

The Munich-based group blamed the weaker economy, tougher competition as a result of the stronger D-Mark, and its own high investment and research spending for its earnings fall. The yield on turnover was down to 2.6 per cent from 2.9 per cent.

Mr Karlheinz Kaske, chairman of Siemens, had already warned at the interim press conference earlier this month that earnings would be lower for the full year than the DM 1.47bn of 1985-86. That result was also down on the previous year's DM 1.53bn.

Siemens said its total new order inflow eased by 1 per cent in the nine months to end-June to DM 37.8bn. At home, the 7 per cent decline to DM 17.2bn was mainly on the nuclear side, but was to a large extent compensated by a 5 per cent rise in new foreign business to DM 20.6bn.

The company said its foreign order increase was noteworthy, in view of the reverse in foreign markets for energy and power station equipment. The decline in foreign order values due to currency translation was roughly offset by the inclusion of newly acquired subsidiaries.

Turnover in the nine-month period was 11 per cent higher at DM 37.2bn, mainly because of the invoicing of the Brokdorf power station in northern Germany. Without this is was up by 4 per cent.

Total order balcklog was DM 54.5bn, or 1 per cent lower.

Capital investment was roughly similar to the previous year at DM 3.8bn. Research and development spending is also continuing at a high level and will exceed DM 6bn for the full year.

Siemens' total workforce rose by 4,000 to 363,000 at the end of June, but the increase was outside Germany and mainly due to the inclusion of new operations.

Elsevier to hold talks with Maxwell

By Laura Raun in Amsterdam

ELSEVIER, the second largest Dutch publisher, will meet with Mr Robert Maxwell, the UK publishing magnate, possibly to discuss a friendly merger or co-operative venture.

No date has been set for the meeting but the talks are expected to take place once Elsevier has concluded its hostile takeover bid for Kluwer, a rival publishing concern, in which it already has a 30 per cent shareholding.

Elsevier would make no comment yesterday on its views towards a possible link with Mr Maxwell.

Elsevier is due to announce early next week the result of its tender offer for Kluwer shares. Wolters Samsom, another Dutch publisher, will announce today whether it has received the 51 per cent or more of Kluwer common stock it needs to complete an agreed merger with Kluwer.

Mr Maxwell owns a stake in Elsevier, which he has described as substantial.

Dresdner lower at half time

BY HAIG SIMONIAN IN FRANKFURT

PARTIAL OPERATING profits at Dresdner Bank, West Germany's second largest commercial bank, fell by 25 per cent at parent bank level to DM 378m ($203m) for the first half, against DM 503m for the same period last year.

Total operating profits for the parent bank, which include gains from own account trading, were not disclosed, but fell by a roughly similar rate, it said. Group results, which were also not announced, had followed a similar trend.

Dresdner's statement completes the interim reporting season for Germany's big three commercial banks. Both Deutsche Bank and Commerzbank have this week unveiled lower earnings. Dresdner's average interest margin fell by 0.1 per cent to 2.5 per cent in the first six months of 1987. However, a noticeably higher volume of business meant interest income rose slightly to DM 1.32bn against DM 1.30bn for the corresponding period last year.

Commission earnings at Dresdner, as at other German banks, declined in the first six months of this year on account of the weaker conditions on the stock market. However, the fall in earnings to DM 574m against DM 612m in the first six months of 1986 was less severe than it had first expected, said the bank.

Total assets at parent bank level rose by DM 4bn to DM 109bn compared with DM 105bn at the end of 1986. Credits to customers in the first half of this year increased by DM 1.3bn to DM 55.4bn against the corresponding period last year, while deposits went up by DM 8.6bn to DM 65.9bn over the same period.

Swissair cuts losses for first six months

By John Wicks in Zurich

SWISSAIR, the Swiss national airline, has incurred a reduced loss for the first half of 1987, and has described prospects for the rest of the year as good.

Pre-tax losses before extra-ordinary items totalled SFr 32m ($20.7m) for the six months ended June, 1987, against SFr 50m a year earlier. Revenues dipped but costs also declined, Swissair said.

Despite increased capacity, the airline managed to maintain load factors. It expects traffic trends to remain favourable for the rest of the year.

Swissair made a net profit of SFr 64.5m for 1986 as a whole—a decline of 6 per cent—and was forced to cut its dividend by SFr 2 a share to SFr 33.

For the six months, total expenditure before depreciation dropped by some SwFr 108m to rather less than SwFr 1.78bn. This more than offset a SwFr 88m decline in total revenues to about SwFr 1.88bn.

The airline was again affected by the strength of the franc which eroded traffic income. However, there was an increase in revenue from such non-flight activities as aircraft maintenance for third parties, ground handling and in-flight catering.

Subsidiaries grouped together under Swissair Associated Companies showed better overall results. The charter subsidiaries, Balair and CTA, again generated good results.

Compared with the same period of 1986, Swissair's total schedule capacity rose by 6 per cent to more than 1.63bn tonne-kilometres and traffic volume at the same rate to just over 1bn tonne-kilometres. Passenger traffic grew by 5.5 per cent, cargo by 6.8 per cent, and mail by 7.9 per cent.

Nabisco sells Spanish holding

BY TOM BURNS IN MADRID

TABACALERA, Spain's state-owned tobacco company, is to acquire 50 per cent of Nabisco Brands Espana, the Spanish subsidiary of RJR Nabisco of the US, in its first major move to diversify into food production.

The Pta 6.2bn ($49.6m) agreement follows two years of negotiations which were prompted by Tabacalera's loss of its monopoly tobacco status in the local market following Spain's entry into the European Community.

Tabacalera is to pay Pta 3.2bn for a 33 per cent holding in Nabisco Brands Espana and plans to spend a further Pta 3bn in a capital expansion which would raise its shareholding to 49.5 per cent. Tabacalera would have the option to acquire a further 0.5 per cent after 10 years.

The Spanish group is also seeking an agreement to manufacture RJR Nabisco's cigarette brands for the international market, Salem, Vantage and Dorchester, in Spain. Under an existing agreement the Spanish company already makes the Winston and Camel brands.

The RJR Nabisco acquisition is the first important success for Tabacalera's aggressive diversification strategy. Two months ago the company narrowly failed to buy the Williams and Humbert sherry company.

Tabacalera's 1986 profits were Pta 5.8bn on tobacco product sales totalling Pta 326bn. In the first quarter of this year it posted profits of Pta 2.2bn.

The company is 50 per cent owned by the state. Some 16 per cent of its stock, which is freely quoted on the Madrid bourse, is owned by foreigners.

Nabisco Brands Espana, which produces biscuits and snacks, aims to make profits of Pta 600m this year

Asko chairman takes helm at Massa

BY OUR FINANCIAL STAFF

HELMUT WAGNER, the management board chairman of Asko, the fast growing West German retail chain, is to take over at the helm of Massa, the rival retailer in which Asko recently took a 24.9 per cent shareholding.

Mr Wagner is replacing Ernst-Ludwig Kipps as Massa management board chairman following a request from Mr Kipps to be relieved

It was Mr Kipps' stake in Massa that Asko acquired earlier this month. Mr Kipps is a member of the family that founded the Massa chain. Massa was floated on the German stock market last year.

Both Asko and Massa, which sell largely through big out-of-town greenfield sites, have been expanding fast and in the process stamping a clear imprint on the German retailing industry.

Massa, the ninth largest food retailer in the Federal Republic, has a chain of some 28 stores most of which are concentrated in the heavily populated Rhine-Main region.

Its 1986 turnover totalled DM 3.3bn ($1.78bn). Asko's turnover in 1986 was DM 3.7bn.

Nixdorf helps shoppers take off before their plane does

In airport duty-free shops, long lines result in short sales, and the loss of profitable last-minute impulse purchases. Although passengers are anxious to save money on souvenirs and gifts, they're not willing to miss an international flight to do so.

There was a time when all kinds of retailers had no control over the lines at the cash register. But that time was before Nixdorf created the POS retail computer terminal. Which, by the way, doesn't just shorten lines.

It solves all sorts of retailing problems, and provides solutions which create more sales and more profit on those sales. The Nixdorf POS computer has found application all over the world, from supermarkets to warehouses, textile mills and point-of-sale retailing.

The computer provides the store manager with all the information he or she needs to make the basic retailing decisions – what to stock, how much space to allocate to it, and how much profit can be expected on a per-square-foot basis. The computer tells the store when stocks are getting low and customers can find full shelves instead of empty ones, so they don't have to play hide-and-seek with the products they want to purchase. And when they select the product they want, it is fresher, and not shelf-worn, because the computer prevents over-ordering slow-moving items.

Finally, the Nixdorf POS computer provides customers with itemized sales slips, so there's no question about what they bought, or how much they paid for it.

The effect of all of these things on the bottom line of a retail operation can be amazing.

Which is why we brought it up in the first place.

Nixdorf Computer AG
Fürstenallee 7, 4790 Paderborn
West Germany
Tel. 05251/506130

NIXDORF COMPUTER

INTERNATIONAL CAPITAL MARKETS and COMPANIES

Why dealers are taking a fresh look at floaters

WHATEVER happened to the Eurodollar floating-rate note market? Just loking at the new issue total so far this year — a paltry $2.2bn — one could easily draw the conclusion that it had gone the way of the dodo.

The change looks striking if this figure is compared with the market's growth in the mid-80s, when the FRN, a long-term security paying interest linked to short-term interest rates, took off at the expense of the Eurocurrency loan. In 1984, new issue volume at $29bn was twice that in 1983, and it then spiralled to $47bn in 1985. Even last year, it was holding at $38bn.

A crisis of confidence in the secondary market is the main reason why new issue volume has dwindled. Starting among perpetual FRNs — those with no final maturity — the crisis soon spread to the conventional FRN market, heightened by renewed worries about the Third World debt problems of many bank issuers and a sharp fall in the dollar.

As a result, the number of market makers in FRNs contracted sharply. Trading liquidity in the issues evaporated as the few houses left in the market widened their bid-offer dealing spreads and reduced the amounts in which they were willing to deal.

Now traders are starting to believe the scare was overdone, and are becoming cautiously optimistic about the outlook for the market in the short term.

For instance, they point out that, even now, dealing spreads on FRNs can be better than those on much shorter-term certificates of deposit and are infinitely better than those in the fixed-rate bond market.

As one dealer said: "We widened our bid-offered spreads from 5 to 10 basis points on 25-year issues and everyone thought it was the end of the world. But the investors were spoiled; these spreads were never realistic anyway."

Further, the turmoil and sharp price falls in many of the fixed-rate bond markets this year should be a good reason for investors to look back nostalgically on the FRN market. By contrast, since returns on FRNs vary with short-term interest rates, their prices (credit concerns aside) should never fall far below par.

Dealers are also in a better position to support prices now than earlier in the year as underwriters' books have been cleared by a spate of repackagings of older, unsaleable bonds.

Add to these factors the possibility that international interest rates may be completing their cyclical decline, which makes the capital protection features of FRNs look more attractive, and the fact that most of them now offer richer yields than they did last year, and the outlook for the market begins to look brighter.

From the borrower's point of view, however, the terms now available for new issuers in the FRN market compare badly with other markets.

The once flourishing FRN market has dwindled drastically. But there are signs of a revival, reports Clare Pearson

Many borrowers are diverting their funding programmes to the Eurocommercial paper market, which did not exist in the heyday of the FRN market and is growing at a striking rate. They have also been turning to the fixed-rate bond markets, where floating-rate funds can be obtained through swaps on terms more attractive than those in the FRN market.

It may be that a borrower will decide to pay up just to reopen the FRN market, as Citicorp did this month with an expensive deal in the fixed-rate market.

Nevertheless, there are grounds for supposing that the FRN market will never regain the attractions for both borrowers and investors that it previously enjoyed.

For one thing, the number of potential borrowers seeking the large quantities of funds that can be obtained in the FRN market has fallen. Sovereigns such as France and Sweden, for instance, have recently seen improvements in their balance of payments and foreign exchange reserve positions.

Bank issuers, which used to provide the bulk of the market's volume, have been less inclined to borrow funds in the FRN market for new lending as the international environment has turned in favour of consolidating their balance sheets.

This factor has also been at work on investors: it was the Japanese banks' willingness to buy FRNs as securitised overseas loans that provided the basis for much of the market's growth. These days, they are worrying about the possibility of tougher capital requirements and are looking more closely at the quality of their assets and the return that they offer.

Of course, concern about improving capital provisions affects not only the FRN market but the securities markets as a whole. Tougher requirements for contingent risks could, for instance, particularly hit banks active in the swaps market, which could make it less cost-effective for borrowers to issue swapped fixed-rate issues.

Yet it is clear that the threat of tougher capital ratios has wiped out demand for FRNs which bank issuers have been allowed to count as primary capital.

The expectation that the Japanese authorities will eventually fall into line with the US-UK agreement on banks' capital adequacy ratios, which requires banks' holdings of capital instruments issued by other banking institutions to be deducted from capital, has permanently undermined the perpetual sector of the FRN market.

If banks are unlikely to play as large a part in the FRN market as they once did, there are other classes of investor which might take up the slack.

For money market investors, FRNs have clear attractions as they provide a higher yield than commercial paper and certificates of deposit.

Here one returns, however, to the liquidity question. FRNs can be viewed as alternative money market instruments only if everyone believes that they can be easily sold. Whether the scare earlier this year was overdone or not, it is questionable whether this belief can ever be fully restored.

Saga loan of $1bn aims at flexibility

By Stephen Fidler, Euromarkets Correspondent

SAGA PETROLEUM, the Norwegian oil independent, is arranging a $1bn unsecured loan through international banks in an attempt to add flexibility to its financing arrangements.

The loan will replace an existing secured loan signed in 1985 for the same amount, but tied to specific projects. "The financing gives us much more flexibility, and reflects our stronger cash flow and the fact that projects are maturing," Mr Asbjorn Larsen, Saga's president, said yesterday.

The new loan is not tied to specific projects and will finance the company's participation in the development of the Snorre and Troll offshore oil and gas fields. The company will explore the loan's use as support for other types of financing.

Manufacturers Hanover is arranging the loan, with Citicorp Investment Bank and Deutsche Bank in the lead management group. The main four biggest Norwegian banks will be invited to join the credit.

Saga suffered acute liquidity problems last year, but is now regarded as being in better shape, helped by a better outlook for energy prices.

The new loan will mature in 1997, two years beyond the final maturity of the existing deal. The interest rate margin on the deal is ⅜ point over London interbank offered rates, and there is a participation fee of 10 basis points. A facility fee of 1/16 point is payable on a so-called available portion and 1/16 point on the unavailable part.

The 1985 secured financing, led by Citicorp, carried a ⅜ point margin for the first five years and a ½ point margin for the last five years.

● Cadbury Schweppes, of the UK soft drinks and confectionery group, has mandated S. G. Warburg to arrange a £300m multi-option facility, including a £200m, seven-year committed portion.

The margin on the credit is 10 basis points, and a utilisation fee of 2.5 basis points is payable if more than half drawn.

Expansion of Ecu clearing system starts

By Our Euromarkets Correspondent

THE FIRST steps towards expansion of the clearing system for the European currency unit, which is expected to increase the number of Ecu clearing banks to 28 by next January from seven, have been taken this month.

Three banks, National Westminster in London, Banque Nationale de Paris and Banca Nazionale del Lavoro of Italy, joined the clearers in the middle of July. Four more banks, including the European Investment Bank, join from Sunday and further banks will join the group monthly.

Deutsche Bank is expected to be the only German bank to join the system, though it will not do so before November. In May, the Bundesbank lifted its objections to the offering of Ecu liabilities by West German banks.

The system is operated by the Basle-based Bank of International Settlements, the central banks' bank, which formally agreed last year to play a central role in the mechanism, and the Swift international payments system. It "nets" out the Ecu flows.

Banks create Ecus by bundling the 10 member currencies in amounts proportionate to their value in the Ecu basket. For the first time in August, the BIS will start to clear the currencies underlying the Ecu basket, as well as Ecus.

This may provide extra liquidity for the market, although the BIS will have no power to insist that the currencies used to create the basket are cleared through the system.

According to bankers, the interbank market is occasionally prone to shortages of Ecus. This is because arbitrage is complicated, since so many currencies make up the Ecu, and because there is no lender of last resort to the Ecu market, unlike the markets of national currencies where central banks act as the ultimate guarantor of market liquidity.

"There are times when there is clear illiquidity," said Mr Paul Winchester, chief manager of the treasurer's department at NatWest.

This, bankers believe, combined with the presence of 28 banks of varying sizes in the clearing system, could make the new system unwieldly. Yet no institution is a clear candidate to fill the role. The European Investment Bank, which would have many of the qualities needed, is said to have no desire to take it on.

£125m convertible for Hillsdown

BY NIKKI TAIT

HILLSDOWN HOLDINGS, the fast-growing UK food and furniture group, yesterday launched the first Euroconvertible bond to take the form of a vendor placing. The £125m bond will be used to pay for the greater part of its acquisition of Maple Leaf Mills, the Toronto-based food and agriproducts group.

The bond also broke new ground in the Eurosterling market in that it was both the largest issue made by a UK company and was priced on what were said to be the most aggressive terms yet seen.

Yet despite its tight pricing and yesterday's fall in sterling, the issue traded at 101 bid against a par issue price. Dealers said this reflected strong Continental interest in the company.

Led by Credit Suisse First Boston, the 15-year bond carries an indicated 4¾ per cent coupon while the conversion premium will be in the range 24 to 28 per cent. It bears a five-year put option which will be priced to give a yield of between 8½ and 8¾ per cent. This was more than 1 per cent below comparable gilt yields by the end of the afternoon.

Hillsdown announced the purchase of Maple Leaf Mills, a Toronto-based food and agricultural products group, for £169m cash three weeks ago and hopes to complete the deal—subject to approval from the Canadian authorities—on August 28.

At the time Hillsdown said the competition for Maple Leaf had been strong and that its willingness to take the centre group in a cash deal had been a significant point in its favour.

However, the deal placed a considerable strain on Hillsdown's balance sheet, potentially pushing gearing levels from around 50 per cent to well over 100 per cent.

Mr Harry Solomon, the company's chairman, said yesterday that the balance of the purchase price—some $95m—would be found from Hillsdown's existing resources.

Mr Solomon added that the international placing dovetails with the company's increasing development in Europe and the States. Hillsdown, he added, had consulted its major institutional shareholders about the placing.

If fully converted, the bond would represent approximately 7 per cent of Hillsdown's issued share capital.

Yesterday, Hillsdown's share price, which has gained 14p over the past two days, eased 5p to 320p.

Swiss franc sector debut for Woolwich

BY CLARE PEARSON

THE REACH of the UK building societies in the international capital markets was extended further yesterday when the Woolwich became the first among them to tap the Swiss franc foreign bond market.

Dealers expressed concern that the Woolwich was not well known in Switzerland, although Chase Manhattan Bank (Switzerland), the lead manager, said it would be arranging investor presentations next month. The SFr 120m five-year 4¼ per cent bond was quoted at less 1¼ offered in the grey market against a par pricing.

Mr Michael Tuke, the Woolwich's deputy chief executive, said the proceeds had been swapped into floating rate sterling to give a total funding cost of 10 basis points over London interbank offered rate.

Chase Manhattan Bank (Switzerland) also led a SF 150m five-year bond for Kraft, which marked the US food and consumer products company's debut in the Swiss market. The 4¼ per cent bond has an indicated price of 100¼ to 100¾, but final terms have not yet been fixed.

Prices of Swiss franc bonds ended the day narrowly mixed in subdued turnover, with most activity centreing around equity-linked issues.

Salomon Brothers made its first appearance as a lead manager in the Swiss market with a SFr 100m five-year issue for Statoil, the Norwegian state oil company. The 4½ per cent bond, priced at 100¼, struck dealers as tightly priced.

Banca del Gottardo led a SFr 70m five-year convertible for Hanwa, the Japanese trading firm specialising in steel products. The bond bore an indicated ⅞ per cent coupon.

The issue followed a SFr 170m equity warrants issue for the borrower launched a

INTERNATIONAL BONDS

few weeks ago, which initially met a weak reception. No trading level for this bond was available yesterday.

Union Bank of Switzerland meanwhile led a SFr 100m five-year convertible for Daikyo Kanko, the Japanese construction company, with an indicated ⅞ per cent coupon.

Concerns about overloading afflicted the Eurodollar market for bonds with warrants to buy Japanese shares, following heavy issuing volume earlier in the week.

Nevertheless, Daiwa Europe was finding good demand for a $70m five-year equity warrants deal for Kuraray, the Japanese textile manufacturer. Its coupon was set at 2¼ per cent yesterday, the indicated level, which compares with 3 per cent indications on most of this week's deals. The bond was quoted at less 2½ bid, well within 2½ per cent fees.

Merrill Lynch's $30m issue for GoldStar, the South Korean electronics company, was trading at 150 bid yesterday even after its coupon and conversion premium were set at aggressive levels. The coupon was fixed at 1¾ per cent, the lower end of the indicated range, and the conversion premium at 115 per cent, 5 per cent above the upper end of the indicated range.

The new issues market was deserted apart from a $185m five-year floating rate note for Sabre Five, a special-purpose company. The issue, which pays 3/16 point over six-month London interbank offered rate and is led by Yamaichi International (Europe), is backed by $257m-worth of ex-warrant bonds. The deal traded at 99.90, compared with a 100.05 pricing and 15 basis points fees.

Eurodollar bond prices weakened in low activity. In the Euro-DM market, prices gained on average about ¼ point in mainly professional short-covering. Eight-year maturities and supranational issues were in most demand.

Taiwan to invest overseas

TAIWAN WILL for the first time allow four trust institutions to invest in overseas stocks, bonds or other securities, Reuter reports from Taipei.

Mr Ronald Ho, vice minister of finance, said the government would initially allow each institution to issue about $40m worth of mutual funds. "If the results are good, then we will consider raising the amount in the future."

He said the move was part of the government's effort to encourage overseas investment by individuals and companies.

The Taiwan Securities and Exchange Commission is revising regulations governing such investments, and new rules are expected to be issued soon.

Executives of the four institutions—International Investment Trust, China Securities Investment Trust, Kwang Hwa Securities Investment Trust and National Investment Trust—described the initial $40m limit as too small.

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Closing prices on July 30

US DOLLAR STRAIGHTS

YEN STRAIGHTS

OTHER STRAIGHTS

FLOATING RATE NOTES

DEUTSCHE MARK STRAIGHTS

CONVERTIBLE BONDS

SWISS FRANC STRAIGHTS

	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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STRONG GROWTH FROM INDUSTRIAL PRODUCTS

ICI tops City hopes with £691m

BY NIKKI TAIT

Imperial Chemical Industries yesterday cruised in comfortably above most City estimates with pre-tax profits of £691m in the first six months of 1987.

That compared with £472m in the first half last year — a rise of 46 per cent. In terms of the second quarter alone, the pre-tax figure was 33 per cent higher at £357m, some £5m-£10m more than many analysts had been forecasting.

Moreover, there was no sign of any fund-raising from ICI and the company says that it is still working on the sale of the basic chemicals business of Stauffer Group, the US company which ICI finally acquired from Unilever for $1.69bn (£1.06bn) last week.

Plans to sell on the speciality chemicals side of Stauffer to Akzo, the Dutch group, for $625m have already been announced.

The basic chemicals interests are expected to raise anything from $300m-$400m, and ICI would then be left with the agrochemicals business.

Yesterday, in Paris, the French state-owned chemicals company Rhode-Poulenc, confirmed that it was among the interested bidders in Stauffer's basic interests but said that it had not received any response from ICI.

The UK company itself maintains that there have been "a lot of inquiries" and any deal is likely to be announced over the summer.

During the first half, ICI saw sales rise by 11 per cent to £5.57bn, reflecting a 13 per cent volume increase and a 2 per cent fall in selling prices.

The volume improvement, the company said, was split equally between the effect of acquisitions (principally US paints business, Glidden) and internally-generated growth.

The strongest profits growth came from the industrial products side where trading profits rose 64 per cent to £291m, against "a background of strong demand."

Within the sector petrochemicals and plastics more than doubled its contribution to £145m, while general chemicals rose from £80m to £106m.

On the agicultural side, trading profits were 48 per cent up at £62m, largely due to increases on the agrochemicals and plant breeding side. The figures would have ben some £13m higher had it not been for new product development expenditure and a write-down of surplus seed stocks in the US.

The fertiliser market remained highly competitive, ICI said, but non-European markets improved and trading profit here were £15m against last time's £6m.

On the consumer front, ICI said that Glidden was beating its budget in dollar terms and that the company was very happy with the acquisition.

Trading profits from pharmaceuticals, meanwhile, rose 12.7 per cent to £151m, but the company said it had seen "substantial" volume growth, primarily from its heart drugs in the US and Japan. For consumer and speciality products overall, trading profits were up from £214m to £304m.

As for the second half, ICI staid the outlook was reasonably favourable—provided sterling, oil and feedstock prices did not strer then significantly.

Currency movements were generally favourable to ICI on a first half comparison basis, though the second quarter of 1987 suffered compared with the first.

However, with basic chemicals remaining the main motor, most analysts believe the company is still on course for around £1.3bn pre-tax in the full year, compared with just over £1bn last time.

The tax charge rose from £174m to £274m, a result of declining tax losses and the shift of business towards the US; the full-year charge is expected to be around the 40 per cent level.

The interim dividend goes up from 14p to 16p.

● Eastman Kodak yesterday announced that ICI had agreed to evaluate selected chemical compounds for potential development and marketin of agricultural chemicals.

ICI would receive exclusive worldwide marketing rights, while Kodak, which would hold the patents would receive a licensing fee, royalties from any sales and biological data gathered during ICI's evaluation process.

See Lex

Bid set to test BES tax relief provisions

By Clay Harris

TAX RELIEF provisions of the Business Expansion Scheme may be tested by a bid announced yesterday for Investors Newsletters, an OTC-traded financial information company.

Publishing Holdings, the Third Market-listed financial publishing and marketing services group, announced a takeover offer which values Investors at £1.87m.

Under the terms of the BES, shareholders must hold their shares for at least five years if they are not to lose tax relief. Investors was created in 1985 with an offer of shares at 15p.

It was not clear yesterday how, if at all, the bid would be structured to maintain the tax relief for BES investors. One possible way, according to a BES expert, would be to provide for deferred purchase of the shares, with delivery to be taken only after the expiration of the qualifying period.

The merger is intended to provide a firm base for development of Sharecall, the telephone-based financial information service which is jointly owned by the two companies.

Directors of Publishing have acquired a total of 44 per cent of Investors shares, making the full offer necessary.

A cash alternative will be offered in due course. Publishing said yesterday that this was unlikely to be worth more than the value of its one-for-two share offer — 38.5p at yesterday's Publishing price of 77p.

Weak growth in domestic banking limits Barclays

BY HUGO DIXON

Barclays became only the second clearing bank to report a loss, when it announced its results for the six months to the end of June.

The decision to take a £570m provision for bad and doubtful loans to the Third World above the line resulted in a pre-tax loss of £40m. However, the underlying performance showed a 22 per cent increase on the comparable period in the previous year to £530m.

Although this was in line with market expectations, underlying growth was poorer than at either National Westminster Bank or Midland Bank, which reported their interim results during the last ten days. A good performance in investment banking was marred by weak growth in domestic banking.

Barclays de Zoete Wedd, the group's investment bank, earned pre-tax profits of £25m (£20m)—an annualised 19½ per cent return on capital employed. The figure would have been considerably higher, if tens of millions of pounds had not been spent on building up BZW's presence in Tokyo and capital markets business. This investment is likely to continue at a similar or faster rate throughout this year and next.

Sir Martin Jacomb, BZW's chairman, said corporate finance, development capital and equity operations had been successes. There had also been a profit on gilts, though Eurobonds were making a small loss.

Profits from domestic banking were up 28 per cent at £257m. All the clearing banks have been showing strong growth in this area on the back of the boom in consumer lending. Barclay's mortgage lending grew 27 per cent in the past six months to £3.7bn, a change of tack from its cautious approach to consumer lending last year.

Barclay's results were harmed, however, by its failure to increase its share of current accounts—an important source of cheap profits as they do not pay interest. Current accounts as a proportion of average sterling deposits were 2 per cent compared with 23 per cent a year ago.

Mercantile Credit, the group's finance house, earned £35m down from £38m, in contrast to the other clearing banks' finance house subsidiaries which have been showing strong profit growth. The central retail services division, dominated by Barclaycard, its credit card operation, made profits of £43m (£35m).

The new financial services division, which includes insurance broking and unit trust, made £31m (£20m).

The £570m in new provisions take Barclays' provisions for countries experiencing payments difficulties to 24.8 per cent of its exposure.

If, however, its provisions for developed countries, such as South Africa, which Barclays thinks stand a better chance of paying back their debts are excluded, the debt cover rises to 30 per cent.

Although they made a loss, it still expects to pay tax of £28m. This is because it does not anticipate being able to claim tax relief on all its provisions, as some of the loans were booked outside the UK.

It announced an interim dividend of 10.5p. Losses per ordinary share were 10.3p. Primary capital as a percentage of total assets now stands at 6.2 per cent, a figure Barclays would like to increase.

See Lex

Neepsend £165,000 in profit

Neepsend, Sheffield-based engineer, continued its recovery through the second six months of 1986-87 and for the full year swung from losses of £159,000 to profits of £165,000 at the pre-tax level.

Earnings emerged at 1.21p (losses 0.89p) per 25p share and the dividend is being increased from a nominal 0.1p to 0.4p.

Turnover for the year totalled £17.93m (£19.27m) and trading profits of £769,000 (£490,000) broke down as to UK £707,000 (£444,000) and Canada, including related company, £62,000 (£46,000).

An exceptional provision this time of £115,000 was more than offset by a £160,000 reduction in interest charges to £489,000.

GLOBE INVESTMENT Trust: Pre-tax profits £7.36m (£6.3m) for three months ended June 30 1987. Tax took £2.1m (£1.98m) and basic earnings per share were 1p (0.85p). Company is applying for listing on Tokyo stock exchange.

Cray Electronics surges 42%

BY TERRY DODSWORTH, INDUSTRIAL EDITOR

STRONG growth in the service and instrumentation divisions of Cray Electronics were the main factors behind a 42 per cent increase in pre-tax profits last year—the tenth successive year in which the company has declared a rise in earnings.

With turnover up by a more modest 10.5 per cent, the figures also reflected a significant rise in profit earnings. These rose from 13.3 per cent to 17 per cent, largely because of, according to Mr Bernard Collins, chairman, the technological content in the products involved, and the contributions of the service divisions.

Overall pre-tax profits, for the period up to the beginning of May, jumped from £6.5m to £9.2m in 1986, while turnover rose to £53.8m (£48.7m). Earnings per share were up by 32 per cent, to 18.28p against 13.89p on an adjusted basis, and the directors are recommending an increase of 30 per cent in the final dividend, taking it to 3.84p (2.954p), and giving total dividends for the year of 5.084p, a rise of 30 per cent.

Earnings figures included the acquisition of Master Systems, a data products supplier which has been added to the group's expanding communications division. Profits were flat in the marine and sub-sea division, where talks were continuing with the Government on new procurement processes to replace the traditionl cost-plus payments system, while earnings were up by about 7 per cent in the communications division.

Exports also rose steadily, accounting for 15 per cent of total volume.

Mr Collins, who said that exports would continue to rise strongly in the current year, forecast a further strong advance in profits, generated mainly by three of the group's four main divisions—instrumentation and control; services; and communications. The order book remained healthy, he added, and all divisions were performing satisfactorily.

● comment

While Cray was somewhat parsimonious with figures on its divisional breakdown yesterday, the City took one look at the bottom line result and gave it an uncompromising vote of approval. Although the shares had already risen during the course of this year from just over 300p to 506p at the beginning of trading, they took flight again to finish at 540p. This puts them on a prospective p/e of somewhere around 25, based on the prospects of another stellar profits performance which could see it reach around £12m at the pre-tax level in the current year. Cray's growth is coming from its ability to gain maximum effect from its particular size—small enough not to be a great threat to the big electronics players, but large enough to have an impact in its chosen niche markets, such as multiplexing for the telecommunications industry. Even more surprising, it seems to be able to maintain its margins in overseas markets, where it expects to be generating 30 per cent of its volume by the next financial year from around 15 per cent today.

Rights and issues

Net asset value per capital share of the Rights and Issues Investment Trust rose from 186.2p to 296.4p over the year to June 30 1987. The figure for the income shares improved by 24.1p to 89.3p.

Net revenue for the half year to end-June amounted to £72,676 (£62,731) after tax of £27,702 (£22,876). The interim dividend is lifted to 1.2p (1.1p) per income share. The board intends to pay a final of 3.3p (3.15p).

Lex Service moves up to £21m

CONTINUED strong performance from vehicle distribution and contract hire businesses and a move into the black by the electronic component business helped Lex Service to lift pre-tax profits by 40 per cent in the six months to June 28 1987.

On turnover up from £552.6m to £671m the vehicle and electronic components distributor made profits of £20.7m compared with £14.8m at the half-way stage last year.

The directors declared an interim dividend of 4.5p—up from 4.1p—and earnings per 25p ordinary share soared by 47 per cent from 10.6p to 15.6p.

Analysis of profits and turnover by divisions shows: automotive distribution, £26m (£18.7m) on £452m (£343.2m); and electronic component distribution, £200,000 (£500,000 losses) on £219m (£195m).

Mr Trevor Chinn, chairman, reported a record first-half year from Volvo Concessionaires, which registered 36,518 cars, representing 3.64 per cent of the market. Lex Brooklands, Lex Mead and Lex Commercials all performed extremely well, with a considerable improvement in profits from new and usedl vehicle sales and strong sales of service, parts and finance.

He said that the half-year results included a contribution from the Sears Motor Group which Lex acquired for £33.4m in April this year.

Lex Vehicle Leasing, Transfleet and Harvey Fork Truck Hire, the contract hire businesses jointly owned by Lombard North Central, each doubled profits in the half-year

Tax charges amounted to £7m (£6.2m) and retained profits added up to £9.5m (£6.4m). Shareholders' funds at the end of the first half totalled £168.2m (£148m).

● comment

Selling cars is beginning to look profitable. As the market achieves some sort of equilibrium of supply and demand manufacturers are no longer taking meat-cleavers to each other in the form of aggressive discounting in order to retain market share, and retailers and distributors such as Lex Services stand to benefit. So slim are the margins achieved, that only a slight improvement helps profits multiply, and that factor has helped Lex come in with figures ahead of most brokers' expectations. The shares moved ahead 16p to 464p yesterday, putting them on a prospective multiple of 14.5 if Lex achieves £44m in the full year. This is modestly undemanding in the short term. For a radical re-rating to gain impetus, investors will want to see more signs of recovery in the Lex Electronics division. This did little better than break even this half on turnover of £219m—but after five successive half years in which it has made a loss, that is encouraging.

PFPUT proposal may beat Trafalgar House bid

BY PAUL CHEESERIGHT, PROPERTY CORRESPONDENT

THE Pension Fund Property Unit Trust, under siege by Trafalgar House, the shipping, property and construction group, may seek to secure its independence by turning itself into a company and seek a listing for its shares.

The 400 holders of the 76,665 units in PFPUT will be asked by their committee of management, at an extraordinary general meeting in a fortnight's time, to vote in favour of incorporation and against the sale of the property portfolio to Trafalgar House.

"The advantages of either course are fairly finely balanced," said Mr Dennis Marler, PFPUT's new chairman.

Incorporation is backed unanimously by the committee of management, but Mr Marler conceded that he could not say with certainty that this course would be favoured by the majority of unitholders.

Trafalgar House yesterday was digesting the PFPUT initiative. It needs a majority of 75 per cent of the votes cast at the extraordinary general meeting if its bid is to succeed. Only 50 per cent of the votes cast is necessary to permit PFPUT to move towards incorporation and a listing.

Schroders, the merchant bank advisers of PFPUT, have not yet drawn up detailed proposals for listing. Should the unitholders agree with the plan, however, they would be granted shares in proportion to the number of units they hold and on top of that there would probably be an offer for sale to the public.

The PFPUT committee of management has consistently opposed the Trafalgar House bid. It is now suggesting that, even if unitholders decide to sell the portfolio and liquidate the trust, the Trafalgar House bid should be rejected and a tender held.

Trafalgar House has raised its initial bid and is now offering cash of £2,650 a unit, with a so far inspecified share alternative which would be at least the equivalent of £2,804 a unit, or a cash and shares combination. It has left the way open to raise its offer further.

But PFPUT said that, on the basis of valuations made on July 21, its units have a net asset value of £2,826 and the total value of its property portfolio is £222.7m.

The committee of management argument is that if the portfolio is exposed to the market it is likely, given the current chase for assets, that it could be sold at a premium to its formal valuation done to the standard of the Royal Institution of Chartered Surveyors.

Dealing with the Trafalgar House bid has accelerated discussion within PFPUT about its future. It could stay the same as an unauthorised trust open only to pension funds and charities, switch to authorised status once the necessary regulations are in place, sell up, or incorporate.

Because unitholders have long been concerned about lack of liquidity, maintaining the status quo was not attractive. Authorised status, two months ago the preferred choice, has latterly been seen as too restrictive and taking too long to bring about.

The bid for the portfolio meant that selling up had to be considered. But the committee of management has come down for incorporation, despite tax disadvantages for the pension funds.

It is stressing the flexibility of the corporate strtucture, the abaility to gear the balance sheet, the strength of the propery share market and the fact that the company acquiring the portfolio would not have initially a contingent liability to taxation on chargeable gains.

Unilever sells US offshoot for £49m

By Steven Butler

Unilever is selling G. H. Bass, the high-quality casual footwear company it acquired as part of its takeover of Chesebrough-Ponds, to Phillips-Van Heusen, the US clothing maker, for $79m (£49.42m).

The sale marks the last of the major subsidiaries that Unilever had earmarked for disposal when it acquired Chesebrough-Ponds in a $3.2bn deal last December.

Phillips-Van Heusen, which rejected a $132m takeover offer from Rosewood Financial last week, yesterday also announced a cash tender offer for 5.2m of its own shares at £28 each.

Following the acquisition, which is expected to be completed by the end of August, Phillips-Van Heusen plans to focus its business on men's and women's shirt and sweaters and men's and women's footwear.

In the year to February 1, Van Heusen earned $20.1m on sales of $514m.

Rex Williams

Shares in Rex Williams (Leisure) were suspended yesterday pending an announcement. A bid for the USM-quoted company has been widely expected for some time; Stanley Leisure, the betting shop and casino group, holds a 16 per cent stake.

Hill Samuel

Junction Partners, a New York arbitrage company, has acquired a 1.1 per cent stake in Hill Samuel, the merchant bank which is holding talks about a possible bid from Union Bank of Switzerland. The stake underlines the expectation that the bank will be taken over, and at a price which allows opportunities for arbitrage profits.

R-R eases shareholding fears

BY RICHARD TOMKINS

FEARS THAT foreign shareholdings in Rolls-Royce are running far ahead of the 15 per cent level imposed by the company's articles of association are probably exaggerated, according to figures available from the aero-engine maker's register.

When dealings in the newly-privatised company's shares began on May 19 this year, a rush of buying from overseas investors—mainly Japanese—took the 85p partly-paid stock to 147p, a premium of 73 per cent to the issue price.

The volume of trading prompted fears that the 15 per cent limit on foreign shareholdings—imposed because a sizeable proportion of Rolls-Royce's work is on sensitive defence contracts—had been susbtantially exceeded. Fears of an enforced sell-off have overshadowed the shares since, with the result that they have fallen to 120p and badly underperformed the wider market.

The exact level of foreign shareholdings will not be known until the second 85p instalment on the shares is paid in September and the letters of allotment are converted into share certificates. At that stage, a complete share register will be compiled.

In the meantime, it has been open to investors to pay the second instalment in advance to secure a place on the register. The incentive for long-term overseas shareholders to do so is that they will be treated on a last in, first out basis. Once the overseas registrations have reached the 15 per cent level, any further foreign registrations will be denied and the holders will be forced to sell their shares to UK investors.

On July 10, Rolls-Royce responded to fears about the level of foreign share ownership by announcing that registered overseas holdings had reached 5 per cent of Rolls-Royce's total equity. In spite of the continuing worries, however, that figure rose to only 7 per cent over the next fortnight and has now been unchanged for a week.

Hoare Govett, Rolls-Royce's stockbroker, says there is no way of determining the level of foreign ownership in advance of the compilation of the share register, and is not inclined to speculate on the figure. Further, one disincentive to registering in advance is that the payment of the second instalment of the issue price effectively means handing Rolls-Royce an interest-free loan unnecessarily.

However, Rolls-Royce itself feels that the lack of any rush among foreign investors to register indicates that overseas holdings are well below the 25 per cent level suggested by some, and could already be well below the 15 per cent ceiling.

Observers nevertheless expect uncertainty about the true level of foreign ownership to keep US investors on the sidelines when they become eligible to hold the shares next month, at the end of the first 90 days of dealings.

British Aerospace yesterday confirmed that it had formally requested the Department of Trade and Industry to approve an increase in the 15 per cent ceiling on overseas investment in the company. The Department said it would respond in due course.

BAe wants the limit raised to 25 per cent because it feels the present limit inhibits overseas investment and so artificially deflates its share price. It says the Government's "golden" share, which gives it special intervention rights, will protect the company from any hostile intent.

Overseas shareholdings in BAe have been close to the 15 per cent level for many months. Yesterday they were at 14.34 per cent.

E & G inquiry nears completion

A three-year-old Department of Trade inquiry into share dealings in Equity & General, the lessor and moator dealer formerly known as Emray, may finally be nearing completion.

A letter from the DTI, made public yesterday at the company's annual meeting, said that while the Department had not yet received the inspectors' report, the "remaining issue which has delayed its completion has been clarified and the inspectors are now pressing ahead to finish it."

The letter was in response to one to Lord Young, the Trade and Industry Secretary, from Barclays de Zoete Wedd, Equity's merchant bank, and Sheppards, its broker.

The two expressed concern that the report was taking so long to produce and said this was clearly damaging the company, which was examining various acquisition possibilities. "In our judgment, the underwriting of a share issue is not practicable until the Department publishes its report," they added.

Mr Lionel Altman, the company's chairman, told yesterday's meeting that "in view of the Government's declared determination to take a tough line against wrong-doing in the City, a delay of nigh on three years in the production of a report, given the exacting and hard work involved, is hardly in accord with their intentions."

He added that negotiations were now at an advanced stage for a management buy-out of the part-owned technology transfer company.

John Jacobs at £846,000

Pre-tax profits of John I. Jacobs, shipbroker and shipowner, moved ahead from £796,000 to £846,000 for the six months ended June 30 1987.

After tax of £296,000 compared with £300,000, earnings per 20p share were given as 2.39p (2.15p) while the interim dividend is increased from 1.4p to 1.5p, and directors intend to at least maintain the final at 2.5p.

Turnover amounted to £1.22m (£1.05m)

Stewart & Wight

A drop in pre-tax profits, from £104,781 to £92,519 was reported by Stewart and Wight, retail baker and property investor, for the year to March 28. Trading turnover fell from £190,792 to £136,272.

Earnings per £1 share declined to 69.4p (77.94p) after tax of £34,132 (£38,926), and a single final dividend of 37.5p (27.5p) is proposed.

There was an extraordinary credit of £13,643 (£2,584).

DRAYTON Far East Trust: net asset value per 25p ordinary share 327.3p (230.5p) at end of six months to June 30 1987. After management expenses of £211,000 (£142,000), interest payable at £57,000 (£36,000) and tax of £28,000 (£24,000), earnings per share 0.071p (0.249p) with interim dividend unchanged at 0.4p. Gross income £308,000 (£245,000).

Sidney Banks 13% ahead at £2.72m

Sidney C. Banks, grain and agricultural merchant, continued its improvement seen at the interim stage with pre-tax profits for the full year showing a growth of 13 per cent.

From turnover up by 18 per cent from £108.57m to £128.34m taxable profits rose from £2.4m to £2.72m for the year to the end of April 1987. In the first six months profits rose from £1.21m to £1.41m.

Earnings per share came out at 51.8p (44.5p) and the directors are recommending an increase in the final payment to 9.25p (8p), making a total for the year of 13.25p (11.5p).

The tax charge was £982,000 (£938,000).

At the end of the year the company's properties were revalued and showed a surplus of £3.19m on the previous valuation made in 1980

Joseph Webb sale

Joseph Webb, through its wholly-owned subsidiary Joseph Webb (East Anglia) and Holimarine, is selling its Hopton on Sea holiday village in Norfolk for £1.5m in cash.

The purchaser of the village, freehold site and buildings is Bourne Leisure (Hopton). The consideration is payable in three instalments and Bourne will pay a further £0.25m, conditional upon it obtaining planning permission on five acres of adoining land already in its ownership.

AAH distribution boosted by £25.8m acquisition

BY PHILIP COGGAN

AAH, the pharmaceuticals, builders supplies and environmental services group, announced a strengthening of its distribution activities yesterday with the acquisition of Hamilton Electrical Distributors for £25.75m.

Hamilton distributes a wide range of consumer electrical goods to the retail sector from warehouses in Warrington and Croydon. In the year to July 31 1986 it made pre-tax profits of £2.5m on turnover of £35.2m. AAH hopes to build on the group's electrical distribution business via add-on acquisitions.

AAH has gradually expanded from its old fuel distribution activities, most notably via the acquisition of Vestric, the pharmaceuticals wholesaling group, from Glaxo. Recently, in a deal with Redland and British Coal, AAH rearranged its interests in fuel distribution so that it now owns 25 per cent of an enlarged British Fuels.

Consideration for Hamilton will be in the form of 6.13m new shares which have been conditionally placed by N. M. Rothschild at 420p each. Existing shareholders will be entitled to apply for the shares on a one-for-nine basis.

Tobacco side behind 41% rise at Gallaher to £81m

A SIGNIFICANT rise in tobacco profit shelped Gallaher, the international group involved in tobacco, optics, pumps and valves, retailing and wholesaling, office products and housewares, to boost pre-tax profits by 41 per cent from £57.7m to £81.4m in the half year to June 30. Turnover rose from £1.59bn to £1.89bn.

Analysis of profits and turnover by division shows: tobacco, £71.3m (£48.9m) on £1.37bn (£1.18m); optical, £4.6m (£4.5m) on £72.6m (£56.3m); distribution, £6.8m (£5.1m) on £415.1m (£317.4m); office products, £3.1m (£2m) on £44.3m (39.1m); housewares, 1.4m (£2.5m) on £32.6m (£32.2m); and engineering, £1.3m (£3.4m) on £53.6m (£50.7m). Inter - divisional sales totalled £96.6m (£87.6m) while currency adjustments added £800,000 (took £700,000) to profits.

The chairman said the good increase in profits in the tobacco diivsion reflected the benefit of reorganised production and improved results in aggregate from the three overseas tobacco companies. Volume sales of Gallaher cigarettes in the UK were up 10 per cent despite a static market.

Exceptional items — the loss on disposal of part of the engineering sector — took £1.1m (nil) and interest charges fell from £8m to £6.8m. Tax took £32.3m (£22.2m) and minorities an unchanged £200,000.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding div	Total for year	Total last year
Barclays ....int	10.5	Oct 7	9.5	—	21
Sidney C. Banks	9.25	—	8	13.25	11.5
Peter Black	†1.15	Oct 5	1*	1.66	1.47*
Cray Electronics	3.84	Nov 20	2.95	5.08	3.91
& H Group‡	3.1¶	—	—	4.76	—
Hill & Smith ......int	1.35	—	1.08*	—	3.5*
ICI ....int	16	—	14	—	36
John Jacobs ....int	1.5	Oct 29	1.4	—	3.9
Lex Service ....int	†4.5	Sept 17	4.1	—	10.6
Neepsend	0.4	—	0.1	0.4	0.1
Saga Holidays ......int	1.6	Sept 16	1.6	—	4.6
Stewart & Wight	37.5	—	27.5	37.5	27.5
Tyndall Holdings ...int	†2	Oct 9	—	—	—

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ Third market.

CML on target

Prospects for the current year at CML Microsystems remained satisfactory, Mr Gurry, chairman, told members at the annual meeting, with the first quarter's results generally in line with the operating budget.

In recent weeks the group had established a trading subsidiary in the US with the objective of developing opportunities in the traffic control market. The chairman added that semiconductor activities were at an encouraging level for the first three months and the outlook for the year as a whole was promising.

UK COMPANY NEWS

Unlocking the door to a diverse future

Philip Coggan examines the remarkable expansion of Britannia Security Group and its bold US plans

IN THE 19th century, gentlemen carried swordsticks to protect themselves from ruffians, and the Duke of Wellington erected metal shutters to guard his town house windows against attacks from the mob.

Modern householders have rather more sophisticated techniques with which to protect their valuables. And the rising crime rate, coupled with the promptings of insurance companies, is encouraging them to spend more and more on protection. Figures from Jordans, an independent research group, show that the UK security market grew from £358m in 1981 to £581.6m four years later.

Britannia Security Group, which joined the USM only in 1984, has been growing even faster than the overall security market. At the time of flotation, it was capitalised at only £5.3m, but now several acquisitions and three years later, its market value has increased to about £100m.

Profits have also grown, with analysts expecting £4.9m pretax in the year to June 30—up from £1.8m in the previous year—and a further jump to £9.8m next year. Because of a rising tax charge, however, earnings per share will not grow as fast, rising from 9.1p to 12.5p and then 14.4p next year.

The original Britannia business was based on installing commercial security systems, which were then connected to a central computerised montoring station. Jordans' survey reveals that intruder alarms has been the fastest expanding sector of the security industry—sales more than doubled from £116m to £250m between 1981 and 1985.

Britannia has strengthened its position in the sector by a series of acquisitions of small alarm companies and notably by the agreed takeover in January this year of DJ Security Alarms,

the USM-quoted alarm installation company, for £5m.

But the group has not been content to remain an alarm installation company, although alarms are still expected to contribute about a quarter of next year's profits. Its earliest diversification moves were closely connected with the group's original base—in September 1985 Britannia acquired White Group Electronics, which designs, sells and maintainsclosed-circuit TV security equipment.

The next few acquisitions were wider-ranging—Tele-Link Archives and Kestrel Data added business records storage and Phoenix Security, a security guards service—and it then moved into Europe via the £16m purchase of another USM group, Checkpoint Europe, a Swiss anti-shoplifting surveillance systems company in May.

This last purchase, which came only a few months after the group's move to the main market, was Britannia's biggest buy, giving the group a foothold in the fast-expanding retail security sector and allowing it to claim to be a broadly-based security group.

Providing a broadly-based service is a strategy which has been followed before—most notably by Chubb, which ran into problems in the early eighties and was eventually taken over by Racal. But Britannia argues that its businesses services earnings, expected to be about a third of next year's total, gives the group better quality earnings.

"The basic theme of Britannia's business is high value, recurring revenue," believes Mr Geraint Daughtrey, an analyst at Panmure Gordon—a neat example being Eurocrate Rentals, the company which supplies those plastic baskets which adorn many an office in the throes of moving.

By providing a range of services the group hopes that "cross-fertilisation" between subsidiaries can occur. For example, clients who hire Britannia to install alarms may well use its security guards as part of a combined package.

However, one area where Britannia does not plan expansion is cash handling, which is no longer a particularly profitable business. The increasing tendency for raiders to be armed and ready to use their weapons has increased insurance costs, with even Securicor, the most famous group in this area,

turning to express delivery and Cellnet mobile phones for its hopes of growth.

Automated Security (Holdings), the biggest UK security company, has steered clear of the manned guarding area and concentrated on the electronic security business and Britannia too is keen to play down the "bodyguard" aspect of the company and play up its hi-tech and business services aspects.

This year, the group has ambitious plans for expansion in the US and has sent out Mr Jeremy White, who built up White Group Electronics, to take control of the American operations.

"We hope to be earning profits of at least £1m from the US within a year," says chairman Mr Anthony Record and the group is widely expected to make an acquisition soon in the area of data storage.

Such a move would further increase the business services part of the group and diminish the importance of security. And some have been speculating that Britannia might make a more radical move by bidding for Sound Diffusion, the electrical equipment leasing group.

Britannia admits to a small stake in Sound Diffusion but disclaims any bid intentions although the dissident shareholders' group still hopes that it can persuade Mr Record to displace SD's chairman

Even by the current fashion for sparsely populated head offices, Britannia runs a tight ship. All services, apart from personnel, are sub-contracted — even most of the secretaries work in a small office in Kent—and there are only 11 staff in the group's Queen Anne's Gate headquarters in London.

Like many other acquisitive companies, Britannia gives its divisional managers a lot of operational freedom but keeps tight control on the finances, with cash flow reports required every week.

The move into the US, so often the graveyard of UK corporate hopes, is obviously a high-risk strategy. But with the underlying trend of the security industry one of continued growth and with business services forming an increasingly important part of the group, Britannia hopes to rule the waves.

Saga losses reduced by 19%

BY JANICE WARMAN

SAGA HOLIDAYS succeeded in tempting nervous Americans back to Europe after European terrorism, the US bombing of Libya and the Chernobyl disaster hit last year's profits—and reduced its interim losses by 19 per cent in the process.

The specialist in holidays for the over 60's, which claims a majority of sales in its second half, suffered pre-tax losses of £1.49m on turnover up 9 per cent to £26.13m.

Tour operating turnover in the UK dropped by 12.23 per cent after a discontinuation in low-cost cruises by Saga's principal operator to the Canaries, said Mr Roger de Haan, chairman, and would not be offset by the second half improvement.

Sales of European winter holidays had declined, but there had been growth in all other sectors.

"Trading in the US is very positive, with dollar turnover increasing by 86 per cent, and we expect the first half growth to continue. The market in America stands at about 38m people, and by the end of the year we would have doubled our mailing list to more than 1m."

The Australian operation was expected to reach break-even by the year-end.

Group profits would recover from last year's low level but not to 1985's level, he said. "It will be in our next financial year that we expect to see the benefits flowing from considerable cost savings in the UK, further substantial growth in the US and proceeds from the sale of surplus assets.

Saga plans to continue the diversification into the marketing of financial services and allied fields which was delayed by the year-end fall in pre-tax profits. Its mailing list gives the group access to some 3m of the 11m people in the UK who are over 60, and it will publish its bi-monthly Saga Magazine monthly from October.

The group has moved into an 80,000 sq ft building in central Folkestone and installed a computer system. It hopes to sell its previous headquarters, which are near the Channel Tunnel site, for more than £5½m.

Its cash position remains good, with just under £24m on the books after the £3m cost of the move.

The loss per share was reduced from 6.62p to 5.41p, while the dividend was maintained at 1.6p.

● comment

Last year's plunge in profits after Chernobyl and Libya seems to have acted as a necessary spur to Saga chairman Roger de Haan, who has introduced cost-cutting measures, better focussed direct marketing and a computer system which should increase efficiency. The American operation is now far more broadly based and better placed for substantial growth. Saga now has its eye on further international expansion and is well positioned to follow that through using its hefty cash reserve. It certainly has on tap an affluent, mobile and growing section of the population; and its direct marketing of insurance, financial and other services will help to even out the present seasonal imbalance. A year-end forecast of around £2m on a 46 per cent tax charge, reflecting the American contribution, produces a sky-high prospective p/e of 32½ on a share price of 195p. That falls to 12.2 on expected profits of £4¼m in 1984. But the market could be forgiven for caution, given the recent hiccoughs in performance.

S I Group losses reduced

SI Group, engineer, reported a pre-tax loss of £372,000 for 1986 compared with a loss of £1.74m for the previous 18 months.

The directors said that despite the reduction in loss the problems of S. I. Industries have proved to be more difficult to resolve than was at first expected. The management has been substantially changed in recent months.

Turnover was £9.1m (£17.27m for 18 months). The trading and operating loss was £31,000, there being no exceptional items against losses of £206,000 and £1.14m respectively after an exceptional debit of £981,000.

Kleen-E-Ze expects £17m cash offer

By Clay Harris

Kleen-E-Ze Holdings, manufacturer and distributor of brushes and cleaning materials, is expected today to announce that a £17m cash offer has been made for the company.

An American multimillionaire is believed to have his foot in the door at the Bristol-based company which made its name with door-to-door brush salesmen.

The approach has met a friendly reception

Kleen-E-Ze had a market capitalisation of nearly £18.5m on Wednesday when its shares were suspended at 635p, a record high and 100p above the price on July 13 when Kleen-E-Ze reported pre-tax profits of £920,478 on sales of £17.4m in the year to March.

Nearly 40 per cent of Kleen-E-Ze shares are held by family trusts of thet late founder and chairman, Mr Harry Crook. The bidder is likely to announce acceptances from more than 50 per cent of the shares.

Ratners gets clearance to bid for Jones

The agreed £25m bid by Ratners Group, Britain's largest retail jeweller, for the smaller Ernest Jones chain will be allowed to proceed without scrutiny by the Department of Trade and Industry.

The Office of Fair Trading said yesterday that the takeover had been found not to qualify for study by the DTI because the combined group would have less than 25 per cent of the market and Jones had assets of less than £30m.

Ratners' bid had been criticised by Goldsmith's Group, Britain's fourth largest chain with a market share just above Jones' estimated 1 per cent.

The DTI meanwhile said that Ratners' $203m (£127m) bid for Sterling, the US jewellery group, had been cleared without a reference to the Monopolies Commission.

● Also cleared yesterday were Rivlin's takeover of Mayfair and City Properties and Dairy Farm International's purchase of an additional 21.53 per cent stake in Kwik Save Group.

Tyndall makes £1.9m but benefits still to come

REFLECTING the results of the Tyndall Guardian acquisition, Tyndall Holdings, produced a pre-tax profit of £1.92m for the six month to June 30 1987 against £60,000 for the original group covering the six months to August 31 1986.

The directors said that following the acquisitions, a thorough review of activities had been undertaken. This led to several management changes and a corporate reorganisation which had not yet been completed and therefore the benefits had still to emerge.

The group now consists of four divisions, investment management, UK banking services, offshore banking and trust services and offshore banking and trust services and offshore fund management. It has recently announced a £214m offer for Clayton Robard, one of the leading Australian financial services groups.

Operating profit for the period was £2.13m (loss of £1.92m), there was no movement on investment provisions this time (£1.99m) or amortisation of gas and oil (£2,000). But amortisation of goodwill amounted to £98,000 (nil) and exchange losses to £80,000 (£8,000).

Interest payable was £25,000 (£1,000), tax charged £391,000 (credit £6,000) and minority interests £3,000 (credit £21,000) leaving attributable profits of £1.53m (£87,000) for net earnings of 7.3p (2.3p) per £1 share.

As intimated, an interim dividend of 2p has been declared; a total of 5p has been forecast for 1987.

Albert Fisher purchases £3m European foothold

BY CLAY HARRIS

Albert Fisher Group, the fast-growing food processor and distributor, has taken its first direct step into continental Europe with the acquisition of Reingold, a Rotterdam-based fruit importer.

Fisher is to pay an initial Fl 10.5m (£3.14m), including £2.7m in cash and 228,812 new shares. Additional payment of up to £1.05m is linked to profits this year and in 1988.

Mr Tony Millar, chairman and chief executive, said yesterday that the acquisition would give Fisher a third fruit-importing company to add to Wentworth in the UK and Tavilla Marketing in Florida.

Reingold imports in volume from South America. In 1986 it achieved pre-tax profits of Fl 1.37m on turnover of Fl 53.6m. It had net tangible assets of Fl 2.43m at the year end.

Hill & Smith set for record

Hill & Smith (Holdings), steel stockholder, fabricated products and drop forgings, is forecasting a record year after a 57 per cent increase in pretax profits, from £839,000 to £1.32m, for the first six months ended March 31 1987.

Turnover in the period rose from £14.33m to £17.07m and margins, pre-tax to turnover, improved from 5.9 to 7.7 per cent. The directors said that sales and profit margins are at similar levels to those attained in the first half and shareholders could again look forward t a record year.

Tax charged was £461,000 (£273,000), leaving attributable profits of £855,000 (£566,000) for earnings of 5.91p (3.91p) per share.

The interim dividend is raised from an adjusted 1.08p to 1.35p per share; last year's total payment was an equivalent 3.33p.

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Shareholders question Aitken Hume board

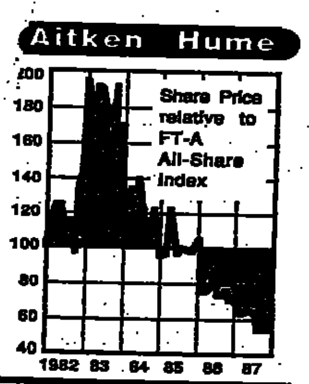
BY STEVEN BUTLER

Aitken Hume International's annual general meeting yesterday ended with no further light shed on the recent boardroom row despite shareholders questions aimed at obtaining more information.

Mr Lawrence Strenger resigned from the board of the financial services company late Wednesday and removed his name from candidacy for a board seat in the face of the unanimous vote at a Wednesday morning board meeting to oppose his re-election.

Mr Strenger's re-election ha been recommended by the board earlier in the month.

Questions were also raised about what was described as an effective change of control of the company to two shareholders each owning just under 25 per cent of the Aitken Hume shares. These are the Lee Ming Tee Group and the Sang Investment and Finance Corporation.



Mr Jonathan Aitken, chairman, said that the company welcomed its two major investors and assured shareholders that Mr Strenger's departure from the board would not affect the company's business.

"We do not believe the company will lose one penny of business as a result of Mr Strenger's resignation," he said.

Mr Strenger is credited with helping to build up the US operations, which now dominate the company.

"All core businesses are performing well," said Mr Aitken.

Mutual funds sales have picked up in July at National Securities and Research Corporation, following the industry-wide slump in May and June, and profits at the US subsidiary were running ahead of last year.

Mr Tony Constance, chief executive, however, cautioned that last year's strong performance, when profits increased in sterling terms by 74 per cent to £6.49m was unlikely to be repeated due to a slowdown in the industry.

UK unit trusts under Aitken Hume management have increased from £105m at the end of March to £165m currently.

The company's shares yesterday slid 7p to close at 153p.

Peter Black improves to £6.7m

Peter Black Holdings, manufacturer and distributor of consumer goods, returned profits of £6.66m pre-tax for the year to May 2, an improvement of 6 per cent over 1985-86's £6.27m.

A final dividend of 1.15p raises the total from an adjusted 1.47p to 1.66p. Earnings worked through 1.33p ahead at 11.12p.

The directors said the results represented an eventful and progressive year.

The sale of the Adidas business at the end of last year resulted in a £7.27m decrease in group turnover to £99.58m. It was not noted, however, that the small shortfall in sales pointed to the continuous expansion of established and new activities during the year.

The directors added that the successful launch of furniture for Marks and Spencer indicated substantial growth potential for that part of the business and trigered the implementation of the decision to terminate the Jentique and Massils furniture ranges.

An extraordinary provision this time of £474,000 represented the net costs arising from the discontinuance of these ranges.

It was pointed out the group, which expanded via the £3.8m acquisition of women's footwear manufacturer, Newbodl and Burton, earlier this year, now had the framework and facilities to enable it to consolidate and increase its market share.

Tax for 1986-87 accounted for £2.17m (£2.36m) and minorities for £15,000 (nil).

Holmes a Court lifts Sears stake

By Nikki Tait

Australian entrepreneur Mr Robert Holmes à Court continues to nibble away at Sears, the UK stores and footwear company. Yesterday he announced that his Perth-based Bell Group, together with associate company, J. N. Taylor has increased its direct stake in the British concern from 5.51 per cent to 5.66 per cent.

As previously announced, he has also written "put" options involving 20m Sears shares in the London traded options market.

However Sears' share price dropped 1½p to 174½p yesterday, as dealers realised that Wednesday's flurry of activity in Sears options may have involved the selling—rather than buying — of 180 calls on Mr Holmes Court's behalf.

Allied-Lyons

Allied-Lyons has closed its offer to Canadian investors of 17.7m ordinary shares in the company, payable in instalments. The total gross proceeds of the offering will amount to C$184.35m (£82m).

YRM profits of £1.5m beat prospectus forecast

The results of **YRM**, a London-based practice which includes architecture and planning, building services, engineering, interior design and structural and civil engineering, produced a pre-tax profit of £1.53m for the year ended April 30 compared with its prospectus estimate of not less than £1.4m.

The results are stated on a pro forma basis and include the YRM Partnership for the period from May 1 1986 to April 8 1987. The business of the Partnership was transferred to a company which became a subsidiary of YRM on April 9 1987. Results for the year to April 30 1986, which showed a pre-tax profit of £1.06m, consist of the YRM Partnership and a company which became a subsidiary of YRM.

Group results of company for the period from April 9 1987 to April 30 1987 showed turnover of £298,000 for a pre-tax profit of £94,000, which compared with the prospectus estimate of not less than £75,000.

Total turnover of the company, as now constituted, was £8.34m (£8.23m). There was a credit of movement of work in progress of £1.41m (£152,000) and work done amounted to £9.75m (£8.38m). Tax took £582,000 (£463,000) leaving earnings per share of 9.39p (5.97p).

The first dividend to be paid by the company will be an interim in March 1988.

BOARD MEETINGS

TODAY

Interims:—Britoil, Cardiff Property, Electronic Machine.

Finals:—A and M, Dale, Forminster, Gibbs Mew, Merrydown Wine, Louis Newmark, Radiant Metal Finishing, Tex, Watsham's.

FUTURE DATES

Interims:—	
Evans Halshaw	Aug 25
Guardian Royal Exchange	Sept. 2
Metal Bulletin	Aug. 11
Pacer Systems	Aug. 7
Prudential	Sept. 9
Royal Dutch Petroleum	Aug. 13
Shell Transport and Trading	Aug. 13
Smith and Nephew	Aug. 12
Technology Project Services	Sept. 1
Ultramar	Aug. 12
Final:—	
Ashtead	Aug. 11

Sunleigh/Dale

Sunleigh Electronics, the small holding company whose ambitious bid for Dale Electric failed last month, continues to dribble out its stake in its former takeover target. Yesterday, the company announced that it has sold a further 25,000 shares, reducing its stake to 6.33 per cent. This follows a reduction last week from around 8.5 per cent.

Guinness disposal

In a report published in the Financial Times yesterday it was not made clear that Guinness, the drinks company, is selling its retail division which includes Martin the Newsagent.

1987 First Half Year Results

ICI

Record half year and second quarter from ICI.

ICI achieved another record result in the second quarter of 1987. Group profit before tax advanced to a new peak of £691m in the first half of 1987, up £219m (46%) on the first half of 1986. This continues the profit growth across the Group's main businesses experienced in the second half of last year. Turnover rose to £5,569m, up 11% on the same period last year, due to sales volume increases of 13% offset by an average fall of 2% in selling prices. Half of the volume increases were due to internally-generated growth and half to the effect of acquisitions less disposals.

Trading profit in Consumer and Speciality Products increased to £304m, up by 26% from £241m in the first half of 1986. Pharmaceuticals saw substantial volume growth, especially in the USA and Japan. The significant increase in the paints sales and profits was attributable to the October 1986 acquisition of the North American Glidden businesses, which have performed above expectations, plus a strong performance in Europe. Within the other effect products sector there were good results from colours, films, polyurethanes and speciality chemicals.

Against a background of strong demand for inorganic chemicals, plastics and petrochemicals, trading profit in Industrial Products rose to £291m, up £114m (64%) on the first six months of 1986. Fibres profit rose slightly on a small volume increase.

Trading profit in Agriculture rose to £62m, up £20m on the first half of 1986, including in particular an increase in sales and profits in the agrochemicals and plant breeding sector. This was achieved despite increased expenditure on development of new products and a write-down of surplus seed stocks in the USA. In fertilizers competitive pressures remain intense, but outside Europe performance improved.

Group profit before tax in the second quarter of 1987 reached £357m, for the third consecutive quarterly record, up £23m (7%) on the first quarter. Sales volume rose by 6% in the quarter but this was largely offset by the effect of the strengthening of sterling on the value of sales denominated in foreign currencies. Selling prices in local currencies rose by an average of 1% but increased oil prices affected margins in Industrial Products.

In general, the outlook remains reasonably favourable unless there are further significant increases in the strength of sterling and in the price of oil and related feedstocks. A number of ICI's businesses, including the recently acquired Stauffer agrochemicals business, are seasonally strong in the first half year and this should be borne in mind when considering results for the remainder of the year.

The following table summarises the quarterly sales to external customers, profit before tax and earnings per share.

		Turnover £m	Profit Before Tax £m	Earnings per £1 Ordinary Stock pence
1986	1st Quarter	2,514	204	18.3
	2nd Quarter	2,516	268	24.8
	3rd Quarter	2,413	256	23.7
	4th Quarter	2,693	288	25.2
	Year	10,136	1,016	92.0
1987	1st Quarter	2,760	334	28.5
	2nd Quarter	2,809	357	30.7

The tax charge for the first half of the year amounted to £274m (first half year 1986 £174m), comprising UK corporation tax of £123m (£79m) and £151m (£95m) in respect of overseas and related companies. UK corporation tax has been provided at 35%, the expected rate for the accounting year 1987.

The Board has declared an interim dividend of 16.0 pence (sixteen point nought pence) per £1 unit of Ordinary Stock of the Company in respect of the year 1987 (1986 14.0 pence). This together with the imputed tax credit of 5.92 pence is equivalent to a gross dividend of 21.92 pence (1986 19.72 pence).

The interim dividend now declared will absorb £107m and is payable on 5 October 1987 to Ordinary Stockholders registered in the books of the Company on 24 August 1987.

The unaudited trading results of the Group for the first half of 1987, with comparative figures for 1986, are as follows:

1986 First Half £m	Year* £m		1987 First Half £m
		Turnover	
1,298	2,545	United Kingdom	1,354
3,732	7,591	Overseas	4,215
5,030	10,136	Total	5,569
472	1,016	**Profit on ordinary activities before taxation**	691
		After providing for:	
236	491	Depreciation	231
−174	−382	Tax on profit on ordinary activities	−274
298	634	**Profit on ordinary activities after taxation**	417
−18	−34	Attributable to minorities	−24
280	600	**Net profit attributable to parent company**	393
—	−43	Extraordinary items	—
280	557	**Net profit for the financial period**	393
43.1p	92.0p	Earnings before extraordinary items per £1 Ordinary Stock	59.2p

**Abridged results; full accounts with an unqualified audit report have been lodged with the Registrar of Companies.*

Trading results for the first nine months of 1987 will be announced on Thursday 29 October 1987.

IMPERIAL CHEMICAL INDUSTRIES PLC

COMMODITIES AND AGRICULTURE

Metals rise seen levelling off

BY RICHARD MOONEY

BASE METALS prices on the London Metal Exchange are likely to consolidate recent gains during the third quarter of this year before edging lower in the final quarter and during 1988.

That is the overall view conveyed in a report* published by London broker Shearson Lehman Brothers yesterday.

Average prices for the second half of this year are all forecast to be higher than the first-half averages but, with the possible exception of zinc, the forecasts are below current price levels. For 1988 only nickel is forecast to average a higher price than in the second half of 1987.

Shearson expects the LME cash Grade A copper price to average about £1,070 a tonne in the second half of 1987, well up from the first half's £817 but a little below yesterday's closing level of £1,096.50 a tonne. Next year's average is projected somewhere between £990 and £1,060 a tonne.

With current supply tightness expected to persist for a while Shearson sees the copper market remaining firm over the next few months, although it remains doubtful that the metal could reach $1 a lb (about 20 cents above the current level).

"Towards the end of the year a degree of weakness is expected and this should be confirmed in 1988 as the market moves back to reasonable balance," the report says.

Shearson expects copper consumption to be hit by cuts in US and Japanese car production, and this could also be a significant factor in the aluminium market.

Its projection for the aluminium price average in the second half of 1987 is £950 a tonne, compared with £848 in the first half and £1,097 yesterday. Next year it sees the average being cut further to between £830 and £900 a tonne.

Consumption is forecast to slacken this year from 1986's record 13.32m tonnes. That figure partly reflected demand surges in countries like Brazil, Venezuela and South Korea, which Shearson does not believe are sustainable. It also believes that "a good proportion of the metal shipped went towards rebuilding consumer inventories."

"We expect the physical tightness to ease as production continues to climb and demand weakens for cyclical and seasonal reasons," the report says.

Another market which is expected to feel the effects of reduced car output is lead, although Shearson points out that consumption will continue to be underpinned by demand for replacement batteries "which far outweighs demand for original equipment."

With the closure of a large proportion of Missouri's production capacity being only partly made up by expansion elsewhere and extra secondary (recycling) production, the report forecasts that the lead market will remain undersupplied this year. Even if production at Cominco's strike-bound Trail smelter in British Columbia is back to normal by the end of August Shearson expects lead production to fall short of consumption by about 100,000 tonnes in 1987.

As lead output continues to recover, however, "a move towards balance, and indeed perhaps surplus, is expected in 1988."

Shearson's forecast for the 1988 average lead price is between £330 and £360 a tonne, compared with a projected average for the second half of this year of £385 and yesterday's close of £409.50 a tonne. In the first half of 1987 the average was £343 a tonne. For precious metals the Shearson report indicates price levels broadly similar to those ruling now. Gold's average is projected between $460 and $480 a troy ounce, compared with $459.25 yesterday, while platinum's is put at between $570 and $610 an ounce, compared with $598 yesterday.

Silver is forecast to average $7.60 to $8.20 an ounce against yesterday's $8.13.

**Mid-year review of the metals markets, 1987. Shearson Lehman Brothers, 1-2, Broadgate, London, EC2M 7HA.*

Soviet grain crop unlikely to exceed 210m tons

By Max Wilkinson

THE INTERNATIONAL Wheat Council said yesterday that there was little evidence to support recent reports that the Soviet Union's grain harvest this year would reach or exceed last year's total of 210m tons.

In its end of month market report, the council said: "Recent weather has been generally favourable for crop development, but the eventual outturn will be greatly affected by conditions over the next few weeks."

The experience of previous years had shown that Soviet crops were very vulnerable to sudden changes in weather as they approach maturity.

The council is therefore maintaining its forecast for the harvest at 195m tons, with projected imports remaining unchanged at 38m tons.

The report says latest information suggests that world wheat and flour trade last year reached 88.4m tons, some 6m more than in 1985-86.

Imports by the EEC, now put at 2.8m tons, were somewhat larger than forecast, mainly because of an unexpectedly large purchase by Italy.

Imports into China were also above expectations and for 1987-88 the council has revised its forecast of China's imports upwards by 500,000 tons to 9.5m tons.

Shipments to the USSR are expected to rise by some 5m tons to 22m tons. Total Soviet imports of grain are expected to rise to 38m tons from 31.3m tons this year, the council says.

In spite of these expected increases, the council's forecast for overall wheat production next year is unchanged at 518m tons, 18m tons below the record figure of 536m tons for 1986-87. Trade in wheat is expected to rise by about 9 per cent to 96m tons next year.

Oil producers 'storing more'

SAUDI ARABIA and several other Opec members are widely believed to be increasing the amount of oil placed in storage to reduce the pressure of their rising output on oil markets, industry analysts said this week, reports Reuter from New York.

The rise in storage may allow Opec to resolve the apparent contradiction between Opec claims that production is not rising above its 16.6m barrels-per-day quota and industry and analysts' estimates that output will average close to 18m bpd for the month.

Brazil gets tough with coffee export traders

BY RIK TURNER IN SAO PAULO

THE Brazilian Coffee Institute (IBC) has cancelled export registrations for 178,810 bags (60 kg each) to be sold abroad in August and September because the exporting companies had not paid the deposit of 50 per cent of the contribution quota (export tax) within three days of making the registration. Traders expected further cancellations to be made.

The IBC's move is clearly a response to the court victory of one exporter, Ouro Fino, which last Friday won the right to register coffee exports without making the deposit. This in turn was provoked by the institute's decision this month not to return the deposit if an exporter subsequently cancelled his registration.

The IBC plans to make a countercase against the Ouro Fino decision and with these cancellations is evidently warning the market that it will not tolerate registries without the deposit, irrespective of what the court rules.

The backdrop to all this is the institute's ongoing battle to reduce the amount of registries made without a real intention of carrying out the export, the so-called "cold sales" which tend to force international prices down and make a mockery of Brazil's balance of payments projections.

As one trader in Santos explained it, "the IBC's decision that exporters will have to forfeit the deposit from now on, together with their leaving August registries open for a full week instead of closing them after one day, were two attempts to reduce cold sales, but they clearly didn't work, because there are some 5.9m bags unshipped for August and September, and it's physically impossible to heat up all those sales."

As for further measures to eradicate cold sales, traders said market conditions would change if global quotas are reinstituted by the International Coffee Organisation in September, as now seems likely. "The institute can then deal with exports in two ways, one by auctioning off the ICO (export authorisation) stamps to firms who can carry out the exports at higher prices, or by allocating individual quotas per company," said one exporter.

If the IBC favours the auction system, that would mean companies would bid for some 1.5m stamps a month, but would have the disadvantage that larger companies might abuse the system, bidding up the price artificially to squeeze smaller competitors out of the market, then carrying out the export at a lower price.

The individual quota system, on the other hand, would probably mean that the IBC would have to find ways of excluding some companies, since a total of 400 firms are registered to carry out coffee exports but many of them exist only on paper.

In any case, the IBC has the immediate problem of the 6m bags from August and September, part of which will certainly be extended into October, and traders in Brazil already consider it highly likely that October registries will not be opened at all, as happened with July due to the 2.6m carryover from June.

LME election saga completed after hitches in voting

BY RICHARD MOONEY

THE LONDON Metal Exchange finally cleared the way yesterday for the adoption of its much-vaunted streamlined management structure — but only after its members had been required to vote three times in an effort to elect the new managing board.

Voting closed on Monday evening in the initial poll for the new board, which today takes over the functions of the time-honoured board and committee structure.

All was well with the selection of the three non-ring dealing directors but it was discovered at the eleventh hour that one of the 15 candidates for the seven ring-dealing directorships had withdrawn from the race because he had moved away from ring dealing. Votes cast in that section of the election were therefore null and void and a new poll, closing on Wednesday evening, was hurriedly called.

Votes were cast, collected and counted and, to the exchange management's horror, it was discovered that a clear result had still not been achieved.

Six candidates had booked their seats on the board but there was a tie for seventh place, so yet another election had to be held, this time with only two candidates.

Yesterday the Exchange was finally able to announce that the election process had been completed and that the handover of power would take place on schedule.

At today's historic first meeting the new director's main task will be to select from their number a chairman and vice chairman. Then all that will remain will be to choose four more directors to be invited onto the board. The exchange was not saying yesterday when the invitations would be sent out.

Danes mount milk powder campaign

BY HILARY BARNES IN COPENHAGEN

DANISH MILK powder producers are to launch television and radio advertising campaigns in Thailand and Bangladesh in an attempt to repair the damage done to the reputation of their products following the Chernobyl nuclear disaster.

First quarter sales of milk powder and baby food in Thailand were halved and sales to Bangladesh are also falling, said Mr Joergen Reeslev, of the Danish Dairy Export Office.

Reports have appeared in the local media claiming that the Danish products were contaminated by the Chernobyl disaster and constitute a health hazard, he said.

"Radioactivity in our products is nowhere near the health risk level," he said. "The EC has a risk level of 370 becquerels (a measure of radioactivity) per litre. In our products it is under 10."

He claimed that competitors in Australia and New Zealand had encouraged the belief that Danish and other European milk powders were a health hazard.

The Danes had previously exported about 14,000-15,000 tonnes of milk powder, worth about DKr 500m (£44m) to these two markets each year, constituting about a third of the Danish milk powder exports.

Danish badminton and soccer stars are to be used in the advertising campaigns which are designed to reassure consumers that the Danish products continue to be of top quality.

Israeli flower profits pruned

BY JUDITH MALTZ IN TEL AVIV

ISRAEL'S FLOWER industry, which last year appeared to be the country's most promising agricultural sector, is increasingly concerned about falling profits.

Growers gathered a bumper crop in the season just ended and sales reached a record level —but prices were down, principally because of fiercer competition in its main Western European markets, according to the state-run Flower Marketing Board. Israel exports about 90 per cent of its flower production to the EC, where it has traditionally held a 45 per cent share of the market.

They have also faced rising production costs. On this front the Board has pointed an accusing finger at its own Government, which has insisted on keeping the exchange rate virtually frozen, in spite of the increasing expense of domestic inputs, especially labour.

Another problem is that Israel's flower growers have generally been encumbered with interest rates above the already-high prevailing level. They are mainly concentrated in the country's debt-ridden "moshavim"—collective settlements comprised of small individual farms—and so have poorer credit ratings than ordinary private farmers.

Despite these difficulties, a 12 per cent increase was registered in their total gross revenues last season to $108m, thanks to the continued strengthening of the European currencies against the US dollar, in which their earnings are calculated.

A more modest rise of 3 per cent to a new 900m in the total number of cut flowers exported was attributed to the increased acreage planted last season by farmers, apparently encouraged by the promising results of the previous year.

The Marketing Board forecasts little, if any, production increases in the coming season, beginning in October, as farmers adjust to the latest downward trends in profitability.

Although rising domestic costs were a key factor behind dwindling earnings last season, Israel's flower growers are even more concerned about what they perceive as major long-term obstacles: heightened competition as a result of world production increases; and extreme vulnerability to fluctuations in the dollar exchange rate.

Israel has gradually been losing its main European markets for spray carnations and roses, its leading flower exports, as a result of Spain entering the EC several years ago. Last season, despite the overall jump in flower sales, exports of spray carnations fell below the previous year's level.

Big new flower projects currently underway in Central America and the Caribbean, which may eventually mean further competition for Israel, have been another source of worry for the Marketing Board.

While Israeli farmers gained last season because of the weakening of the dollar, they realise that situation cannot continue indefinitely. Mr Haviv Haze of the Marketing Board points out that flowers, unlike diamonds, are perishable goods, so switching to new, more distant markets as a means of hedging against the risk of exchange rate fluctuations is much more difficult.

The flower exporters also know that they will not be able to count on government support once the dollar picks up and their sales figures begin to slump.

"Don't forget, we are not the Lavi," says Mr Haze, referring to Israel's expensive, government-funded combat plane development project.

Bearing these constraints in mind, Israel's flower growers have been focusing their energies on capturing currently untapped niches in the European market. These include flowers from tropical countries.

LONDON MARKETS

THE RECENT strength of aluminium on the London Metal Exchange continued as the metal posted new 28-month highs yesterday. With sterling weaker against the US dollar, prices were underpinned by bullish fundamentals and charts. After a pre-market dip the market recovered on merchant and fresh buying and by the close the cash price stood at £1,097 a tonne, £21 up on the previous close. General tightness of supplies was indicated by the widening premium with the cash position now trading at £76.50 above the three-month position. The generally firmer trend of the base metals was evident in the zinc market where prices crossed the £500 chart level, again mainly due to sterling's downturn. Meanwhile on the European free market, tin firmed sharply by £100 to £4,155 per tonne on merchant buying, part of which was seen as covering against a recent Indian tender.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

Official closing (am): Cash —— (——) three months 1,673-7 (1,658-63), settlement —— (——). Final Kerb close: 1,674-8. Ring Turnover: 300 tonnes.

99.7% purity	Unofficial (close p.m.) $ per tonne	+ or —	High/Low
Cash	—	—	—
3 months	1674-8	+15.5	—

Official closing (am): Cash 1,092-4 (1,084.5-5) three months 1,015-6 (1,005-5.5), settlement 1,094 (1,085). Final Kerb close: 1,020-2. Ring Turnover: 11,175 tonnes.

99.5% purity	£ per tonne		
Cash	1095-8	+21	—
3 months	1020-1	+18.5	1020/1022

COPPER

Grade A	Unofficial close £ per tonne	+ or —	High/Low
Cash	1096-7	+2.5	1094/1093
3 months	1076.5-7	+5.5	1079/1071

Official closing (am): Cash 1,094-4.5 (1,102-3) three months 1,072.5-3 (1,078.5-9), settlement 1,094.5 (1,103). Final Kerb Close: 1,078-9.

Standard			
Cash	1095-6	+1.5	1094/1093
3 months	1075-8	+18.5	—

Official closing (am): Cash 1,092-3 (1,100-05) three months 1,071-3 (1,073-5), settlement 1,093 (1,105). US Producer prices 80-88 cents per lb. Total Ring Turnover: 29,400 tonnes.

LEAD

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	409-10	+6	410/401
3 Months	385-6	+9.25	386/376

Official closing (am): Cash 404-5 (402-3) three months 379-80 (373.5-4), settlement 405 (403). Final Kerb close: 384-5. Ring Turnover: 9,925 tonnes. US Spot: 38-42 cents per lb.

NICKEL

	Unoffical close (p.m.) £per tonne	+ or —	High/Low
Cash	3065-75	+5	—
3 months	3096-100	+0.5	3110/3085

Official closing (am): Cash 3,058-60 (3,060-5) three months 3,085-6 (3,086-7), settlement 3,060 (3,065). Final Kerb close: 3,090-5. Ring Turnover: 1,914 tonnes.

ZINC

High grade	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	506-8	+10	—
3 months	501.5-2.5	+6.75	502.5/497

Official closing (am): Cash 502-3 (500-2) three months 498.5-9.5 (497-8), settlement 503 (502). Final Kerb close: [illegible]. US Prime Western: [illegible] cents per lb.

TIN

KUALA LUMPUR TIN MARKET: Close 16.31 (16.16) ringgit per kg. Up 0.15 ringgit per kg.

LONDON METAL EXCHANGE TRADED OPTIONS

[illegible]

GOLD

GOLD BULLION (fine ounce) July 30

[illegible]

GOLD AND PLATINUM COINS

[illegible]

MEAT

MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle [illegible] GB—Sheep [illegible] GB—Pigs [illegible] (+8.56) ... (-0.31). FUTURES—Pigs: Oct 102.00, Nov 103.00, sales 3.

INDICES

REUTERS

July 30	July 29	M'th ago	Year ago
1633.7	1622.0	1638.4	1405.5

(Base: September 18 1931=100)

DOW JONES

Dow Jones	July 29	July 28	M'th ago	Year ago
Spot	126.72	126.30	—	126.59
Fut	127.96	127.97	—	114.99

(Base: December 31 1931=100)

MAIN PRICE CHANGES

	July 30 1987	+ or —	Month ago
GRAINS			
Barley Fut. Nov.	£100.60	+0.35	299.00
Maize	£160.00y	—1	‡
Wheat Fut. Sept	£102.25	+0.50	£98.80
No. 2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. Sept	£1304.5	+3	£1325.5
Coffee Ft. Sept	£1225.5	+12	£1268.5
Cotton A Ind.*	85.45c	+0.75	81.45c
Gas Oil Sept.	$169.5	+2.75	$161.25
Rubber (kilo)	69.5p	—0.25	68.5p
Sugar (raw)	$151.6x	+2	$171.5
Wooltops 64s	485p kilo	+6	477p kilo

‡ Unquoted. † Per 75-lb flask. c Cents a pound. * Cotton outlook. z July-Aug. v Oct. x Aug-Sept. y Aug. w Oct-Nov. T Sept.

SILVER

Silver was fixed 0.25p an ounce lower for spot delivery in the London bullion market yesterday at 501.1p. US cent equivalents of the fixing levels were: spot 800.5c, down 2.1c; three-month 814c, down 2.2c; six-month 829.15c, down 1.85c; and 12-month 857.85c, down 2.75c. The metal opened at 501-502½p (801-803c) and closed at 507-508½p (808-810c).

SILVER per troy oz	Bullion Fixing price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	501.10p	-0.25	819c	+5
3 months	512.95p	-0.25	832c	+7
6 months	524.75p	-0.05	—	—
12 months	546.05p	-0.50	—	—

LME—Turnover: 9 (3) lots of 10,000 oz.

Cash high/low 501p; three months high/low 809c, final kerb 832-5c.

COFFEE

Robustas failed to find follow-through on the downside after Wednesday's weak close. The market held above recent lows and steadied in generally thin and quiet trading. With New York opening firmer, commission house buying steadied values and a late bout of short-covering left the market at the highs of the day, reports Drexel Burnham Lambert.

COFFEE	Yesterday close	+ or —	Business done
July	1200-1205	+9.0	1202-1195
Sept.	1225-1226	+13.0	1230-1212
Nov.	1255-1256	+16.5	1258-1238
Jan	1272-1276	+9.5	1270-1262
Mar.	1290-1298	+6.5	1296-1296
May	1310-1315	+4.5	1320-1310
July	1320-1340	—	1340-1330

Sales: 1,980 (2,419) lots of 5 tonnes.

ICO indicator prices (US cents per pound) for July 29: Comp. daily 1979 94.60 (95.36); 15-day average 96.42 (96.43).

COCOA

After trading quietly throughout the day in a rather narrow range futures closed virtually unchanged. The present lower prices again failed to attract any major physical interest and little business was seen, reports Gill and Duffus.

	Yesterday's close £ per tonne	+ or —	Business done
July	1324-1338	+10.5	1327-1325
Sept.	1304-1305	+3.0	1315-1304
Dec.	1339-1340	+1.0	1358-1339
March	1364-1365	—	1375-1364
May	1383-1385	—	1384-1385
July	1402-1404	+2.0	1410-1404
Sept.	1415-1418	—1.5	1424-1420

Sales: 2,696 (3,184) lots of 10 tonnes.

ICCO indicator prices (SDRs per tonne). Daily price for July 30: 1,617.08 (1,619.50); 10-day average for July 31: 1,666.34 (1,677.55).

FREIGHT FUTURES

After opening easier the market found support at the lower levels and moved higher in quiet conditions. The BFI was raised 4.5 to 965.5 reflecting the interest of the physical market dealings. The afternoon saw renewed buying interest encouraging some short-covering owing to technical factors and the market closed on a firm note, reports Clarkson Wolff.

	Close	High/Low	Prev.
Dry Cargo			
July	970/971	1060/1020	966/970
Oct.	1058/1060	1060/1040	1030/1031
Jan.	1060	1060/1050	1035
Apr.	1065/1068	950	1042/1046
July	950/1000	—	912.5
Oct.	930	—	960
Jan.	980	—	960
April	1040	—	1033.5
BFI.	969.5	—	965

Turnover: 384 (217).

GRAINS

Wheat and barley again steadied on short-term export demand and on noted lack of offers. A healthy September barley/wheat switch provided the bulk of the day's trade and values closed firm, reports T. G. Roddick.

Mnth	WHEAT Yest'rdy's close	+ or —	BARLEY Yest'rdy's close	+ or —
Sep.	100.40	+0.55	98.30	+0.25
Nov.	102.25	+0.50	100.60	+0.25
Jan.	105.00	+0.55	103.00	+0.15
Mar.	107.75	+0.50	105.45	+0.50
May	110.00	+0.45	107.20	+0.10
July	112.25	+0.25	—	—

Business done—Wheat: Sept 100.25-0.00, Nov 102.25-2.00, Jan 105.10-5.00, March 107.75-7.65, May and July untraded. Sales: 135 lots of 100 tonnes. Barley: Sept 98.30, Nov 100.80-0.50, Jan 103.00-2.95, March 105.45, May untraded. Sales: 243 lots of 100 tonnes.

LONDON GRAINS—Wheat: US dark northern spring no 2 14 per cent Aug 91.00, Sept 92.00, Oct 94.00. US no 2 soft red winter Aug 85.00, Sept 87.50, Oct 90.00. French 11½-12 per cent first-half Aug 123.50. English feed fob Jan/Mar 109.50 paid east coast, Sept 101.50/102.50, Oct/Dec 104.75/105.50, Jan/Mar 108.00/109.50 buyers/sellers.

US MARKETS

HIGHER-THAN-EXPECTED leading economic indicators put early pressure on silver but good support prompted local, speculative and trade buying, touching stops and bringing in fresh buying, reports Drexel Burnham Lambert. Gold, however, continued to lag behind on last minute commission house switching and silver-gold spreading. Heavy commission house buying dominated the session as platinum continued to work higher. Light short-covering on the opening firmed crude oil prices but trade selling and profit-taking eased values before fund and trade house buying supported the market. Early trade buying in copper was the only feature of the morning, while good fund buying led to new highs late in the day. In the softs trade buying steadied the sugar market in quiet action. Light trade buying in the face of fund selling firmed coffee prices. After a quiet morning in cocoa, a second wave of commission house selling triggered stops before manufacturing and trade house buying, as well as local short-covering, pared losses. Cotton was very firm, led by commission house buying despite strong scale-up selling by trade houses. The grains were firmer throughout the day on a recovery from Wednesday's weather scares, as traders feared an oversold market. In the meats cattle prices rallied on evidence of strong retail demand and aggressive purchasing by packers from the feed yards. Hogs were higher under the influence of the cattle, while pork bellies went limit-up with the underlying factor being the extreme heat in the Mid-West causing a light hog slaughter and heg run.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	Prev	High	Low
August	77.75	76.25	—	—
Sept	77.50	76.00	78.00	75.50
Dec	76.40	74.10	76.00	74.90
Jan	73.45	72.15	—	—
March	71.95	70.65	—	—
May	70.65	69.35	—	—

COCOA 10 tonnes, $/tonnes

	Close	Prev	High	Low
Sept	1976	1960	1975	1930

[illegible]

WHEAT 1,000 bu min, cents/60-lb bushel

	Close	Prev	High	Low
Sept	258.0	257.0	258.6	255.0
Dec	271.4	269.6	272.4	269.4
March	277.2	276.4	279.0	275.6
May	276.2	274.2	276.6	274.0
July	266.0	265.4	267.4	265.4

SPOT PRICES: Chicago loose lard 15.00 (same) cents per pound. Handy and Harman silver bullion 816.00 (806.5) cents per troy ounce. New York tin 304-309 (298-305) cents per pound.

POTATOES

[illegible]

OIL

[illegible]

RUBBER

PHYSICALS — Closing prices (buyers): Spot [illegible]; Sept 68.75p [illegible]. Kuala Lumpur fob prices (Malaysia/Singapore cents) per kg: RSS No 1 [illegible] 223.0 (same).

SOYABEAN MEAL

	Yesterd'ys close £ per tonne	+ or —	Business done
August	127.5-128.5	—0.90	128.0
October	128.0-128.2	—0.65	127.6
Dec	128.0-128.5	—	129.0-127.5
Feb	130.0-130.5	—0.25	—
April	130.5-131.5	—1.50	—
June	128.0-130.0	—1.00	—
August	126.0-128.0	—1.25	—

Sales: 284 (301) lots of 20 tonnes.

SUGAR

LONDON DAILY PRICE—Raw sugar $151.60 (£95.20), up $2.00 (up £1.60) a tonne for August-September delivery. White sugar $172.00 up $1.00.

No. 6 Contract	Yesterd's close	Pevious close	Business done
$ per tonne			
Aug	125.6-130.8	128.-150.8	124.4-122.8
Oct	153.8 154.8	154.-155.8	155.4-152.8
Dec	140.8 141.6	139.-141.8	—
Mar	158.2-158.6	158.-150.0	161.6-148.8
May	158.4-154.2	154.-154.6	164.6-154.8
Aug	157.4-158.2	158.0-58.4	157.8-157.8
Oct	160.2-160.4	160.6-60.8	168.4-158.6

Sales: 2,274 (2,677) lots of 50 tonnes.

Tate and Lyle delivery price for granulated basis sugar was £198.50 (£197.00) a tonne for export.

International Sugar Agreement—(US cents per pound fob and stowed Caribbean ports). Prices for July 29: Daily price 5.59 (5.55); 15-day average 6.00 (6.06).

PARIS—(FFr per tonne): August 1052/1057, Oct 1073/1080, Dec 1130/1134, March 1162/1167, May 1191/1197, August 1228/1234.

GAS OIL FUTUIES

Month	Yesterd'ys close US$ per tonne	+ or —	Business done
Aug	167.50	+2.50	1676-64.50
Sept	169.50	+2.75	1700-66.75
Oct	171.50	+2.50	1720-68.25
Nov	173.25	+2.50	1735-72.50
Dec	175.00	+1.50	1755-74.25

Turnover: 4,000 (4,617) lots of 100 tonnes.

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Pound loses cofidence

STERLING LOST ground yesterday afternoon as selling in the gilt futures market triggered stop loss selling. The situation was less than clear however with some traders in the Liffe market suggesting that gilt prices fell after sterling weakened. Whatever it was that provided the catalyst, the fall was not sparked off by any fresh data, but dealers stressed that sterling's limited upward potential after June's general election had left a number of traders with long positions just waiting to sell.

Trading had been extremely quiet in the morning with speculators watching the performance of UK Government bonds quite closely. The recent CBI survey was accepted as being quite encouraging but the pound failed to attract much attention in its wake and when gilt futures broke through a significant support level so the number of selling orders increased.

Dealers also stressed that sentiment had never really recovered from the blow of disappointing UK trade figures and suggested that until June's figures are announced on August 11, sterling was likely to be tested again.

Its exchange rate index fell to 72.3 at the close down from 72.5 at the opening and 72.7 on Wednesday night. Yesterday's close was the lowest for nearly a month. Against the dollar it fell to $1.5945 from $1.6005 and DM2.96 from DM2.9725. It was also lower against the yen at Y238.50 from Y241.25. Elsewhere it slipped to SFr2.4525 from SFr2.4625 and FFr9.8375 compared with FFr9.8875. The afternoon fall may have prompted the Bank of England to lend support on a modest scale.

The dollar failed to capitalise on earlier gains and finished slightly down from Wednesday's closing levels. News of a 0.8 per cent rise in US leading economic indicators was better than the 0.6 per cent rise expected and was higher than May's increase of 0.7 per cent. This encouraged some dollar buying but although it touched a high of DM1.8630 and Y150.70, there was no follow through and it settled back to finish at DM1.8560 from DM1.8580 and Y149.55 compared with Y150.70. Elsewhere it slipped to SFr1.5385 from SFr1.5390 and FFr6.17 compared with FFr6.1775. On Bank of England figures, the dollar's exchange rate index fell from 103.8 to 103.7.

D-MARK—Trading range against the dollar in 1987 is 1.8385 to 1.7690. June average 1.8186. Exchange rate index 146.3 against 148.9 six months ago.

There was no intervention by the Bundesbank at yesterday's fixing in Frankfurt when the dollar was quoted at DM1.8583 up from DM1.8552. Trading was extremely quiet and uneventful. News that the Bundesbank had left its lending rates and credit policies unchanged had no effect.

Trading was quiet ahead of the release of US leading economic indicators. A rise of 0.8 per cent was a little above expectations and compared favourably with May's increase of 0.7 per cent. However the US unit failed to break significantly from recent trading levels.

JAPANESE YEN—Trading range against the dollar in 1987 is 159.45 to 138.35. June average 144.52. Exchange rate index 214.4 against 209.4 six months ago.

Trading was confined to a narrow range in Tokyo. Currencies found that the absence of any fresh economic data deterred most traders from trying to move outside recent ranges. The dollar closed at Y150.60 compared with Y150.80 in New York and Y150.15 in Tokyo on Wednesday.

NIGERIAN NAIRA—The naira fell by 9.3 per cent against the dollar at yesterday's auction. The US unit rose to 3.8601 up from 3.5000. The $100m on offer attracted bids of $111m.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu July 30	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.0397	+1.37	+0.78	±1.5344
Danish Krone	7.85212	7.87883	+0.34	−0.25	±1.6404
German D-Mark	2.05853	2.07614	+0.86	+0.27	±1.0981
French Franc	6.90403	6.90446	+0.01	−0.58	±1.3674
Dutch Guilder	2.31943	2.33862	+0.83	+0.24	±1.5012
Irish Punt	0.768411	0.774847	+0.84	+0.25	±1.6684
Italian Lira	1483.58	1503.75	+1.36	+1.29	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

July 30	Latest	Previous Close
£ Spot	1.5935-1.5945	1.5990-1.6000
1 month	0.31-0.29 pm	0.27-0.25 pm
3 months	0.90-0.86 pm	0.88-0.85 pm
12 months	3.33-3.23 pm	3.23-3.13 pm

Forward premiums and discounts apply to the U.S. dollar.

STERLING INDEX

	July 30	Previous
8.30 am	72.5	72.6
9.00 am	72.5	72.5
10.00 am	72.5	72.5
11.00 am	72.6	72.5
Noon	72.5	72.6
1.00 pm	72.5	72.6
2.00 pm	72.5	72.6
3.00 pm	72.3	72.6
4.00 pm	72.3	72.7

CURRENCY MOVEMENTS

July 30	Bank of England Index	Morgan Guaranty Changes %
Sterling	72.3	−21.3
U.S. Dollar	103.7	−3.7
Canadian Dollar	78.4	−10.4
Austrian Schilling	137.1	+10.1
Belgian Franc	99.7	−4.6
Danish Krone	91.9	+2.3
Deutsche Mark	146.3	+21.3
Swiss Franc	171.9	+22.5
Guilder	134.4	+14.1
French Franc	71.5	−12.8
Lira	47.0	−18.5
Yen	214.4	+60.3

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base average 1975=100).

CURRENCY RATES

[illegible]

OTHER CURRENCIES

Korea (Sth)	1286.75-1298.40	804.80-811.40
Kuwait	0.45260-0.45310	0.28450-0.28460
Luxembourg	61.25-61.35	38.40-38.50
Malaysia	4.0585-4.0685	2.5445-2.5460
Mexico	2231.80-2255.50	1405.00-1419.00
N. Zealand	2.8260-2.8335	1.7705-1.7735
Saudi Ar.	5.9670-5.9725	3.7505-3.7515
Singapore	3.3695-3.3760	2.1120-2.1190
S. Af. (Cm)	3.3060-3.3180	2.0745-2.0790
S. Af. (Fn)	5.1485-5.3205	3.2260-3.3335
Taiwan	49.35-49.60	30.90-31.00
U.A.E.	5.8430-5.8485	3.6725-3.6735

*Selling rate

POUND SPOT—FORWARD AGAINST THE POUND

July 30	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5880-1.5990	1.5940-1.5950	0.31-0.28c pm	2.22	0.91-0.86 pm	2.22
Canada	2.1197-2.1323	2.1235-2.1245	par-0.09c dis	−0.25	0.06pm-0.06 dis	—
Netherlands	3.33-3.34¼	3.33-3.34	1¼-⅞c pm	3.60	3¾-3¼ pm	3.90
Belgium	61.25-61.59	61.25-61.35	17-10c pm	2.64	47-36 pm	2.71
Denmark	11.21½-11.27¾	11.22-11.23	⅝pm-1⅞ore dis	−1.07	2⅛-3⅛ dis	−0.94
Ireland	1.1045-1.1095	1.1050-1.1060	par-0.10p dis	−0.54	Par-0.25 dis	−0.45
W. Germany	2.95½-2.97¼	2.95½-2.96½	1⅜-1⅛pf pm	5.07	4-3¾ pm	5.24
Portugal	230.38-232.17	230.90-231.90	26-95c dis	−3.14	267-354 dis	−5.49
Spain	201.42-202.91	202.60-202.90	110-143c dis	−7.49	317-368 dis	−6.76
Italy	2139¼-2154¼	2141½-2142½	2-6 lire dis	−2.24	6-13 dis	−1.77
Norway	10.80-10.86½	10.81-10.82	3⅞-4⅞ ore dis	−4.85	12½-13½ dis	−4.81
France	9.82¾-9.88	9.83¼-9.84¼	1⅛-⅞c pm	1.22	3-2¼pm	1.04
Sweden	10.30½-10.36	10.30¾-10.31¾	½pm-par ore dis	0.29	¾pm-¼pm	0.12
Japan	238-240¾	238-239	1¼-1 y pm	5.66	3¾-3 pm	5.24
Austria	20.79-20.88	20.82-20.85	8⅝-7⅝ gro pm	4.68	26¾-24¾ pm	4.91
Switzerland	2.44¾-2.46½	2.44¾-2.45¾	1¼-1c pm	5.50	3⅞-3⅝ pm	5.30

Belgian rate is for convertible francs. Financial franc 61.50-61.60. Six-month forward dollar 1.80-1.75 c pm. 12-month 3.30-3.20 pm.

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

July 30	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5880-1.5990	1.5940-1.5950	0.31-0.28c pm	2.22	0.91-0.86 pm	2.22
Ireland†	1.4383-1.4448	1.4435-1.4445	0.27-0.22c pm	2.04	0.89-0.77 pm	2.30
Canada	1.3306-1.3342	1.3320-1.3330	0.26-0.29c dis	−2.48	0.79-0.76 dis	−2.24
Netherlands	2.0875-2.0975	2.0905-2.0915	0.28-0.25c pm	1.52	0.89-0.85 pm	1.66
Belgium	38.44-38.59	38.40-38.50	3pm-par	0.47	7-2 pm	0.47
Denmark	7.03-7.06½	7.03¾-7.04¼	1.25-1.95ore dis	−2.72	4.40-5.10 dis	−2.70
W. Germany	1.8525-1.8630	1.8555-1.8565	0.46-0.43pf pm	2.87	1.43-1.38pm	3.02
Portugal	145-145½	145-145½	45-85c dis	−5.38	250-300 dis	−7.59
Spain	126.20-126.80	126.20-126.30	85-105c dis	−9.00	270-310 dis	−9.16
Italy	1342-1348	1342¼-1343¼	4.00-6.00lire dis	−4.45	12.00-15.00dis	−4.01
Norway	6.78-6.80	6.78-6.78½	3.80-4.30ore dis	−7.15	11.90-12.40dis	−7.15
France	6.16-6.19	6.16¾-6.17¼	0.52-0.62c dis	−1.11	1.65-1.95 dis	−1.17
Sweden	6.46½-6.48¼	6.46½-6.47	1.00-1.30ore dis	−2.13	3.50-3.90 dis	−2.29
Japan	149.35-150.70	149.30-149.40	0.42-0.39y pm	3.23	1.18-1.13 pm	3.07
Austria	13.05¾-13.09½	13.05½-13.06¼	3.10-2.70gro pm	2.67	9.25-8.25 pm	2.68
Switzerland	1.5355-1.5445	1.5380-1.5390	0.43-0.38c pm	3.16	1.24-1.19 pm	3.16

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 38.60-38.70

EURO-CURRENCY INTEREST RATES

July 30	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	8¼-8½	8½-8¾	8⅞-9⅛	9⅛-9¼	9⅛-9⅜	9⅞-10
U.S. Dollar	6⅝-6½	6⅞-6⅞	6¾-6⅞	7-6⅞	7⅛-7⅛	7⅞-7⅜
Can. Dollar	9-8¾	9-8¾	8⅞-8⅞	9⅛-8⅞	9⅛-9⅛	9⅞-9⅞
D. Guilder	5¼-5⅛	5¼-5⅛	5¼-5⅛	5⅛-5⅛	5⅛-5⅛	5⅛-5⅛

FINANCIAL FUTURES

Gilts fall with sterling

DEALERS WERE at a loss to explain the reason behind the sharp fall in long term gilt futures on the London International Financial Futures Exchange and the sudden decline in sterling yesterday. It was not even clear whether the pound led gilts down, or the weakness of gilt futures prompted selling of sterling, but the general view was that nervousness in one market fed on the other.

September gilts opened lower at 119-31 and drifted down for most of the day, without any new factors to influence trading. Pressure on the pound appeared to build up when Chicago markets opened, reinforcing suggestions that selling came out of the International Monetary Market.

As sterling weakened September gilts fell through a chart support level of 119-07, prompting strong selling. Although there was a partial recovery to 119-25 the contract fell again, to a low of 118-15, before closing at 118-26, compared with 120-02 on Wednesday.

Volume picked up strongly, at 35,855 contracts, against 12,411 previously.

US Treasury bond futures opened firm at 89-31 for September delivery, underpinned by the delay to the US Treasury's quarterly refunding programme, initially scheduled for next week. On the other hand dealers pointed out that the temporary increase in the US debt ceiling would allow a very large backlog of US Treasury bill auctions to take place, flooding the market with short-dated paper.

The contract fell to around 89-21 on news that the June index of US leading indicators rose 0.8 per cent. This was above market expectations of about 0.5 per cent.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls—Last Sept	Calls—Last Dec	Puts—Last Sept	Puts—Last Dec
114	6.05	6.39	0.01	0.43
116	4.10	5.06	0.06	1.10
118	2.25	3.50	0.21	1.54
120	1.05	2.47	1.01	2.51
122	0.23	1.53	2.19	3.57
124	0.06	1.10	4.02	5.14
126	0.02	0.46	5.62	6.50
128	0.00	0.28	7.60	8.32

Estimated volume total, Calls 1,093 Puts 913
Previous day's open int: Calls 28,430 Puts 18,799

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls—Last Sept	Calls—Last Dec	Puts—Last Sept	Puts—Last Dec
82	7.25	6.52	0.01	0.28
84	5.29	5.13	0.05	0.53
86	3.43	3.52	0.19	1.28
88	2.04	2.42	0.44	2.18
90	0.51	1.49	1.27	3.25
92	0.15	1.07	2.55	4.47
94	0.03	0.42	4.43	6.18
96	0.00	0.24	6.40	8.00

Estimated volume total, Calls 45 Puts 4
Previous day's open int: Calls 1,947 Puts 2,298

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls—Last Aug.	Calls—Last Sept.	Puts—Last Aug.	Puts—Last Sept.
23250	10.32	12.03	1.32	3.05
23500	8.45	10.36	1.95	3.86
23750	6.77	8.83	2.77	4.83
24000	5.30	7.45	3.80	5.95
24250	4.05	6.22	5.05	7.22
24500	3.02	5.14	6.52	8.64
24750	2.19	4.20	8.19	10.20
25000	1.55	3.39	10.05	11.89

Estimated volume total, Calls 21 Puts 25
Previous day's open int: Calls 260 Puts 138

SWISS FRANC (IMM)

SFr 125,000 $ per SFr

	Latest	High	Low	Prev.
Sep.	0.6511	0.6522	0.6498	0.6524
Dec.	0.6564	0.6578	0.6545	0.6579
Mar.	0.6620	0.6639	0.6609	0.6638
June	—	—	—	0.6700

STANDARD & POORS 500 INDEX

$500 times index

	Latest	High	Low	Prev.
Sept.	317.35	317.85	316.50	317.05
Dec.	320.00	320.35	319.00	319.60
Mar.	322.60	322.70	321.60	322.00
June	325.00	325.00	324.00	324.45

MONEY MARKETS

UK rates rise as pound falls

INTEREST RATES rose on the London money market yesterday as sterling suffered a bout of speculative selling. The pressure pushed the currency below a technical support level at $1.5950.

There were no fresh factors to influence the market, and increased tension in the Gulf pushed North Sea oil prices back above $20 a barrel, but this failed to halt sterling's decline.

UK clearing bank base lending rate 9 per cent since May 8

Three-month interbank rose to 9⅝-9½ per cent from 9⅜-9⁷⁄₁₆ per cent and 12-month firmed to 10-9⅞ from 9¹³⁄₁₆-9¹¹⁄₁₆ per cent.

The Bank of England initially forecast a money market shortage of £500m, but revised this to £400m at noon. Total help of £414m was provided.

Before lunch the authorities bought £308m bills outright, by way of £155m Treasury bills in band 3 at 8⅞ per cent and £153m bank bills in band 4 at 8⅞ per cent.

In the afternoon another £106m bills were purchased outright, through £76m Treasury bills in band 3 at 8⅞ per cent and £30m bank bills in band 3 at 8⅞ per cent.

Bills maturing in official hands, repayment of late assistance, and a take-up of Treasury bills drained £879m, with a rise in the note circulation absorbing £40m. These outweighed Exchequer transactions adding £295m to liquidity and bank balances above target of £120m.

In Frankfurt the West German Bundesbank left its credit policies unchanged at yesterday's council meeting. The discount rate remains at 3 per cent and the Lombard rate at 5 per cent.

Call money fell to 3.25 per cent from 4.675 per cent on the Frankfurt money market, and from a peak above the Lombard rate on Tuesday.

Credit conditions have also been helped by the Bundesbank's supply of liquidity through currency swaps on Tuesday. But this facility unwinds on Friday and banks were unwilling to buy three-day Treasury bills at 3.20 per cent yesterday.

This was because money that may be required to meet reserve requirements would be tied up through the end of the month.

In New York the Federal Reserve supplied temporary reserves to the banking system, through $3bn of customer repurchase agreements. Federal funds were trading at 6¹³⁄₁₆ per cent at the time.

FT LONDON INTERBANK FIXING

(11.00 a.m. July 30) 3 months U.S. dollars: bid 6⅞, offer 7. 6 months U.S. dollars: bid 7⅛, offer 7¼

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	8¼
Broker loan rate	7⅞
Fed. funds	6⅝
Fed funds at intervention	6⅝

July 30	Overnight	One Month	Two Months
Frankfurt	3.20-3.50	3.90-4.05	3.90-4.05
Paris	7⅞-7¾	7⅞-7¾	7⅞-7⅞
Zurich	⅞-1⅛	3⅝-3⅝	—
Amsterdam	5⅛-5⅛	5⅞-6⅞	—
Tokyo	3.98125	3.53125	—
Milan	10⅞-11⅛	11-11½	—
Brussels	4.95	6⅞-6½	—
Dublin	7⅞-8	9⅞-9⅞	9½-9⅞

LONDON MONEY RATES

July 30	Overnight	7 days notice	Month
Interbank	10-8	8⅞-8⅞	8¹³⁄₁₆-8¹¹⁄₁₆
Sterling CDs	—	—	8⅞-8⅞
Local Authority Deps.	8⅞	8⅞	8⅞
Local Authority Bonds	—	—	9⅞
Discount Mkt Deps.	9⅞-7½	8½	8⅞
Company Deposits	8⅞-8⅞	9-8⅞	9
Finance House Deposits	—	—	8¹¹⁄₁₆
Treasury Bills (Buy)	—	—	8¹¹⁄₁₆
Bank Bills (Buy)	—	—	8¹¹⁄₁₆
Fine Trade Bills (Buy)	—	—	9¹¹⁄₁₆
Dollar CDs	—	—	6.75-6.70
SDR Linked Deposits	—	—	6-5⅞
ECU Linked Deposits	—	—	6⅞-6⅞

$ WORLD VALUE OF THE DOLLAR

BANK OF AMERICA GLOBAL TRADING ECONOMICS DEPT., LONDON

The table below gives the rates of exchange for the U.S. dollar against various currencies as of Wednesday, July 29, 1987. The exchange rates listed are middle rates between buying and selling rates as quoted between banks, unless otherwise indicated. All currencies are quoted in foreign currency units per one U.S. dollar except in certain specified areas. All rates quoted are indicative. They are not based on, and are not intended to be used as a basis for, particular transactions.

Bank of America NT & SA does not undertake to trade in all listed foreign currencies, and neither Bank of America NT & SA nor the Financial Times assume responsibility for errors.

Bank of America Global Trading, London, New York, Tokyo, San Francisco, Los Angeles, Toronto.

24-hours a day trading capability.

Enquiries: 01-634 4360/5. Dealing: 01-236 9861.

ECU=$US1.11929 SDR1=$US1.26678
As of July 29, at 11.00 a.m.

	3 months	6 months
Eurodollar Libor:	7	7¼
Sibor:	7¹⁄₁₆	7¼

COUNTRY	CURRENCY	VALUE OF DOLLAR	COUNTRY	CURRENCY	VALUE OF DOLLAR	COUNTRY	CURRENCY	VALUE OF DOLLAR
Afghanistan	Afghani (o)	50.60	Gibraltar	Pound*	1.6005	Papua New Guinea	Kina	0.9128
Albania	Lek	6.3105	Greece	Drachma	140.05	Paraguay	Guarani (o)	320.00
Algeria	Dinar	4.67	Greenland	Danish Krone	7.0365		Guarani (p)	550.00
Andorra	French Franc	6.1685	Grenada	E. Caribbean $	2.70		Guarani (d)	796.00
	Spanish Peseta	126.75	Guadaloupe	Franc	6.1685	Peru	Intl (o) (n)	15.89
Angola	Kwanza	29.918	Guam	U.S. $	1.00		Intl (f)	32.15
Antigua	E. Caribbean $	2.70	Guatemala	Quetzal (o)	1.00		Intl (f)	19.86
Argentina	Austral	1.9555		Quetzal (b, l)	2.70	Philippines	Peso	20.43
Aruba	Florin	1.79	Guinea Bissau	Peso (1)	650.00	Pitcairn Islands	N.Z. Dollar	1.7251
Australia	Dollar	1.4292	Guinea Republic	Franc	340.00	Poland	Zloty (o)	262.92
Austria	Schilling	13.04		Franc (1)	300.00	Portugal	Escudo	145.12

WORLD MARKETS

FT-ACTUARIES WORLD INDICES

NATIONAL AND REGIONAL MARKETS. Figures in parentheses show number of stocks per grouping	THURSDAY JULY 30 1987 US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	WEDNESDAY JULY 29 1987 US Dollar Index	Pound Sterling Index	Local Currency Index	DOLLAR INDEX 1987 High	1987 Low	Year ago (approx)
Australia (94)	148.85	+1.1	138.40	142.02	2.57	147.29	136.44	140.14	149.30	99.92	70.18
Austria (16)	99.04	-1.5	92.09	95.51	2.16	100.50	93.09	96.90	101.62	85.53	88.95
Belgium (48)	131.86	-1.2	122.61	125.52	3.81	133.44	123.61	127.19	133.44	96.19	82.28
Canada (132)	138.13	+0.4	128.44	133.28	2.09	137.64	127.50	132.80	138.59	100.00	94.97
Denmark (39)	115.15	+0.3	107.06	110.25	2.51	114.79	106.33	109.95	124.10	98.18	91.91
France (121)	108.63	-0.2	101.01	105.14	2.68	108.90	100.88	105.53	121.82	98.39	90.93
West Germany (92)	100.22	+1.2	93.19	96.71	1.95	99.01	91.71	95.63	100.33	84.00	82.19
Hong Kong (45)	137.28	+1.0	127.65	137.62	2.63	135.97	125.95	136.31	137.28	96.89	73.82
Ireland (14)	141.40	+0.9	131.48	137.98	3.24	140.14	129.82	136.89	145.41	99.50	95.35
Italy (76)	96.23	+0.5	89.48	96.55	1.87	95.76	88.70	96.29	112.11	93.47	94.40
Japan (458)	135.52	+0.6	126.01	127.94	0.52	134.77	124.84	128.38	161.28	100.00	92.33
Malaysia (36)	185.70	+0.8	172.67	182.03	2.06	184.19	170.62	180.52	186.58	98.24	80.20
Mexico (14)	305.32	+2.2	283.89	471.36	0.64	298.82*	276.80	460.66	309.34	99.72	60.99
Netherland (38)	127.74	+0.7	118.77	121.91	3.62	126.83	117.48	121.12	127.97	99.65	90.50
New Zealand (26)	104.60	-1.5	97.26	98.42	3.00	106.16	98.34	97.14	109.97	83.93	70.41
Norway (24)	155.49	+1.6	144.57	143.14	1.90	153.06	141.78	141.01	155.49	100.00	91.96
Singapore (27)	165.85	+1.6	154.21	161.46	1.54	163.26	151.23	158.86	165.85	99.29	79.18
South Africa (61)	184.91	-0.6	171.93	132.56	3.13	186.07	172.36	132.29	186.74	100.00	70.79
Spain (43)	140.72	+1.9	130.84	134.59	2.97	138.07	127.90	132.74	140.72	100.00	84.99
Sweden (33)	121.13	+0.3	112.63	115.97	2.00	120.79	111.89	115.65	124.68	90.85	91.28
Switzerland (53)	104.22	+0.6	96.91	99.41	1.67	103.62	95.98	98.86	104.22	92.01	83.59
United Kingdom (336)	154.78	-0.7	143.92	143.92	3.12	155.92	144.43	144.43	162.87	99.65	93.96
USA (591)	129.66	+0.8	120.56	129.66	2.81	128.67	119.19	128.67	129.66	100.00	98.66
Europe (933)	126.31	+0.0	117.44	120.03	2.75	126.34	117.03	119.94	128.35	99.78	89.73
Pacific Basin (686)	136.02	+0.6	126.47	128.70	0.68	135.23	125.26	128.98	158.77	100.00	90.85
Euro-Pacific (1619)	132.19	+0.3	122.91	125.24	1.47	131.73	122.02	125.38	143.65	100.00	90.41
North America (723)	130.12	+0.7	120.99	129.89	2.77	129.15	119.63	128.93	130.12	100.00	98.47
Europe Ex. UK (597)	108.64	+0.6	101.02	105.13	2.42	107.98	100.03	104.64	108.64	98.02	87.20
Pacific Ex. Japan (228)	142.12	+0.9	132.15	137.77	2.54	140.88	130.51	136.11	142.12	99.92	72.27
World Ex. US (1826)	133.07	+0.3	123.73	125.85	1.52	132.63	122.85	125.95	143.38	100.00	90.33
World Ex. UK (2081)	129.46	+0.7	120.37	125.76	1.88	128.62	119.14	125.36	133.61	100.00	93.56
World Ex. So. Af. (2356)	131.36	+0.5	122.14	127.35	2.00	130.69	121.06	127.04	135.02	100.00	93.71
World Ex. Japan (1959)	129.91	+0.5	120.80	127.15	2.75	129.90	119.77	126.47	129.91	100.00	94.17
The World Index (2417)	131.71	+0.5	122.46	127.43	2.01	131.05	121.39	127.12	135.15	100.00	93.57

Base values: Dec 31, 1986 = 100

Corrected indices for July 27: France, Europe, Euro-Pacific, Europe Ex. UK, World Ex. US, World Ex. UK, World Ex. South Africa, World Ex. Japan and The World Index.

EUROPEAN OPTIONS EXCHANGE

Series		Aug 87 Vol.	Last	Nov 87 Vol.	Last	Feb 88 Vol.	Last	Stock
GOLD C	$460	95	7.50	17	23	5	34	$457.50
GOLD C	$480	37	3.30A	50	15	10	25	"
GOLD C	$500	10	1.10	72	10.10	—	—	"
GOLD C	$520	—	—	33	6.90	15	13.30	"
GOLD P	$420	40	0.30	—	—	5	4.50	"
GOLD P	$460	15	8.50	—	—	—	—	"
		Sep 87		Dec 87		Mch 88		
SILVER C	$700	—	—	5	145	—	—	$802
SILVER C	$750	5	80	—	—	—	—	"
SILVER C	$800	—	—	3	85	—	—	"
SILVER C	$900	—	—	2	60A	—	—	"
SILVER P	$850	—	—	4	80	—	—	"
		Aug 87		Sep 87		Oct 87		
$/FL C	Fl.200	—	—	25	9.50	—	—	Fl.209.45
$/FL C	Fl.205	1	4.40	15	5	—	—	"
$/FL C	Fl.215	—	—	—	—	13	1.10	"
$/FL P	Fl.205	—	—	17	1.20	—	—	"
$/FL P	Fl.210	2	1.70	—	—	—	—	"
		Dec 87		Mar 88		Jun 88		
$/FL C	Fl.195	—	—	1	14.20	—	—	Fl209.45
$/FL C	Fl.200	—	—	—	—	10	11.30	"
$/FL C	Fl.205	38	6.80	—	—	50	8.50	"
$/FL C	Fl.215	10	2.45	—	—	—	—	"
$/FL P	Fl.200	—	—	—	—	1	6.10A	"
$/FL P	Fl.205	13	4	—	—	1	7.80	"
		Oct. 87		Jan. 88		Apr. 88		
ABN C	Fl.500	392	16.50	28	24.40	—	—	Fl.498.00
ABN P	Fl.500	192	23.50	62	27	—	—	"
AEGON C	F95	112	5.60	15	8.50	—	—	F96.90
AEGON P	Fl.95	—	—	10	4.20	—	—	"
AHOLD C	Fl.100	12	9.80	—	—	—	—	Fl.107.30
AHOLD P	Fl.105	8	3.80	—	—	—	—	"
AHOLD P	Fl.100	5	2.10	—	—	—	—	"
AKZO C	Fl.170	849	9	129	13.20	11	16.50	Fl.168.60
AKZO P	Fl.170	449	7.80	8	10.60	—	—	"
AMEV C	Fl.70	111	2.60B	122	4.10	—	—	Fl.67.50
AMRO C	Fl.85	280	3.10	87	5.40B	4	7	Fl.83.70
AMRO P	Fl.85	87	5	5.50B	—	—	—	"
ELSEVIER C	Fl.54	469	5.50B	—	—	—	—	Fl.55.10
ELSEVIER P	Fl.52	89	2.70	—	—	—	—	"
GIST-BROC. C	Fl.55	253	1.90	60	3.10A	16	4	Fl.50.70
GIST-BROC. P	Fl.45	70	0.90B	20	1.70B	—	—	"
HEINEKEN C	Fl.200	397	6	34	9.50	—	—	Fl.194.50
HEINEKEN P	Fl.180	180	3.50	15	5.40	—	—	"
HOOGOVENS C	Fl.50	628	3	191	4.30	19	5.60B	Fl.48.50
HOOGOVENS P	Fl.45	356	2.50	28	3.30A	11	5	"
KLM C	Fl.55	2108	3.30	155	4.80	41	6	Fl.55.50
KLM P	Fl.50	272	1.30B	21	2.50	3	3.70	"
NEDLLOYD P	Fl.150	196	4.50	29	7	2	9.50	Fl.166
NAT.NED. C	Fl.80	382	3.30	102	5.40	5	6.60B	Fl.78.40
NAT.NED. P	Fl.75	197	2.30	54	3.60	—	—	"
PHILIPS C	Fl.60	1507	1.20	191	2.60	93	3.50	Fl.53.80
PHILLIPS P	Fl.55	215	3	47	4.20B	62	5	"
ROYAL DUTCH C	Fl.300	547	6.50	112	10.70	17	15	Fl.288.80
ROYAL DUTCH P	Fl.280	89	6.60	10	8.50	1	11	"
ROBECO C	Fl.110	10	3.10B	50	5	—	—	Fl.111
ROBECO P	Fl.105	—	—	8	1.80	—	—	"
UNILEVER C	Fl.150	172	3.10	102	5.80	15	8.90	Fl.140.70
UNILEVER P	Fl.140	237	4.60	1	7.20	5	8.50	"

TOTAL VOLUME IN CONTRACTS: 40,382

A=Ask B=Bid C=Call P=Put

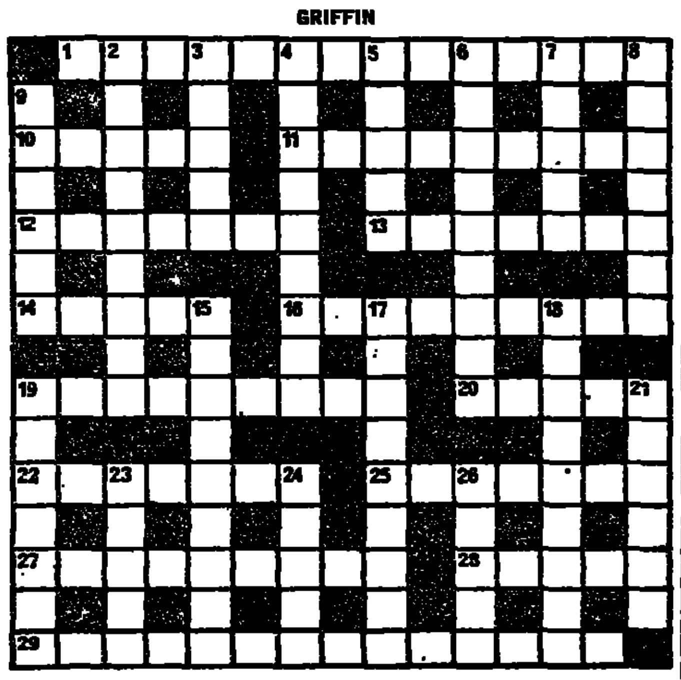
BASE LENDING RATES

	%		%		%
ABN Bank	9	● Charterhouse Bank	9	Nat Bk. of Kuwait	9
Adam & Company	9	Citibank NA	9	NatWestminster	9
Allied Arab Bk Ltd	9	City Merchants Bank	9	Northern Bank Ltd	9
Allied Dunbar & Co	9	Clydesdale Bank	9	Norwich Gen. Trust	9
Allied Irish Bank	9	Comm. Bk. N. East	9	PK Finans. Intl (UK)	9½
American Exp. Bk	9	Consolidated Cred	9	Provincial Trust Ltd	10
Amro Bank	9	Co-operative Bank	*9	R. Raphael & Sons	9
Henry Ansbacher	9	Cyprus Popular Bk	9	Roxburghe G'rantee	9½
ANZ Banking Group	9	Duncan Lawrie	9	Royal Bk of Scotland	9
Associates Cap Corp	9	Equat'l TstC'p plc	9	Royal Trust Bank	9
Authority & Co Ltd	9	Exeter Trust Ltd.	9½	Smith & Wilmsn Secs	9
Banco de Bilbao	9	Financial & Gen. Sec.	9	Standard Chartered	9
Bank Hapoalim	9	First Nat. Fin. Corp	10	TSB	9
Bank Leumi (UK)	9	First Nat. Sec. Ltd	10	UDT Mortgage Exp.	¶11.1
Bank Credit & Comm	9	● Robert Fleming & Co.	9	United Bk of Kuwait	9
Bank of Cyprus	9	Robert Fraser & Ptrs	10	United Mizrahi Bank	9
Bank of Ireland	9	Girobank	9	Unity Trust PLC	9
Bank of India	9	Grindlays Bank	‡9	Western Trust	9
Bank of Scotland	9	● Guinness Mahon	9	Westpac Bank. Corp	9
Banque Belge Ltd	9	HFC Trust & Savings	9	Whiteaway Laidlaw	9½
Barclays Bank	9	● Hambro Bank	9	Yorkshire Bank	9
Beachmark Tst Ltd	9	Heritable & Gen. Tst.	9		
Beneficial Trust Ltd	10	● Hill Samuel	§9		
Berliner Bank AG	9	C. Hoare & Co.	9		
Brit Bk of Mid East	9	Hongkong & Shangh	9		
● Brown Shipley	9	Lloyds Bank	9		
Business Mtge Tst	9	Meghraj & Sons Ltd	9		
CL Bank Nederland	9	Midland Bank	9		
Canada Permanent	9	● Morgan Grenfell	9		
Cayzer Ltd	9	Mount Credit Corp. Ltd	9		

● Members of the Accepting Houses Committee. * 7-day deposits 4%. Savewise 6.66%. Top Tier—£2,500+ at 3 months' notice 7.97%. At call when £10,000+ remains deposited. ‡ Call deposits £1,000 and over 4½% gross. ¶ Mortgage base rate. § Demand deposit 3.99%. Mortgage 11.25%.

FT CROSSWORD PUZZLE No. 6,392

GRIFFIN



ACROSS

1 Typical door-knocker? (14)
10 Rushed Bill inside, blushing (5)
11 Reckon car damaged rail (9)
12 Push piano to more dances (7)
13 Letter from sweetheart left in ski slope (7)
14 Plump for a cycle (5)
16 Agent sees politician in ten-mile jam (9)
19 Always alert, sees spell going wrong (9)
20 A giant thing in bronze (5)
22 Swift reply to engineers packing one job in (7)
25 Ring man about iron on sale (7)
27 Spanish food turned brown in smoke (9)
28 Silver in need of treatment (5)
29 Could make us repent accepting mean overseer! (14)

DOWN

2 Pen something to go in envelope (9)
3 Broadcasting artist to perform around one (5)
4 Hide about four, being sly (9)
5 Runs round top European harbour (5)
6 Designer of curious chart, etc., I assumed (9)
7 Not fitting the rest inside it (5)
8 Egghead lent me revolutionary heater (7)
9 Stay with mounted soldiers when fit (6)
15 Bank customer is to drop new key in (9)
17 Tapes smashing vocal during musical play (9)
18 Record with which Tina contrived to amuse (9)
19 Bands ready to go into the streets (7)
21 Was drowsy man not even included? (6)
23 Pictured pretty girl in dog's home (3-2)
24 The Spanish boy and girl (5)
26 Supplied store with nothing in (5)

Solution to puzzle no. 6,391

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

هكذا من الأصل

FT UNIT TRUST INFORMATION SERVICE

Mercury Fund Managers Ltd (c)
33 King William St, EC4R 9AS 01-280 2060

American Growth	113.9	120.5	+1.3	0.78
(Accum Units)	119.4	126.3	+1.4	0.78
British Blue Chip Fund	54.5	57.4	+0.3	2.16
(Accum Units)	54.5	57.4	+0.3	2.16
American Sm Cos Fd	53.6	56.7	+0.4	0.44
(Accum Units)	53.6	56.7	+0.4	0.44
American Income	53.3	56.3	+1.2	4.30
(Accum Units)	58.1	61.4	+1.4	4.30
European Growth	157.5	166.6	+2.2	2.50
(Accum Units)	163.3	172.5	+2.2	2.50
European Income	85.3	90.2xd	+0.4	3.61
(Accum Units)	89.4	94.6xd	+0.4	3.61
General	398.4	421.5	+5.2	1.63
(Accum Units)	661.7	700.2	+8.7	1.63
Gilt	83.0	88.4	-0.3	8.00
(Accum Units)	104.6	105.1	-0.4	8.00
Global Fund	52.1	55.1	+0.3	0.67
(Accum Units)	52.1	55.1	+0.3	0.67
High Interest Fund	47.4	50.1xd	-0.4	8.97
(Accum Units)	47.8	51.5xd	-0.5	8.97
High Income Fund	55.5	58.7xd	+0.5	4.47
(Accum Units)	56.4	59.6xd	+0.5	4.47
Income	132.4	140.1	+0.3	2.92
(Accum Units)	151.8	160.7	+0.4	2.92
International	301.3	318.8xd	+1.0	1.12
(Accum Units)	377.0	398.9xd	+1.2	1.12
Japan	197.5	208.9	-2.5	0.54
(Accum Units)	202.8	214.5	-2.5	0.54
Pacific Fd	58.7	62.1xd	+0.5	0.10
(Accum Units)	58.7	62.1xd	+0.5	0.10
Recovery	336.7	356.2	+3.1	1.46
(Accum Units)	366.0	387.3	+3.3	1.46
UK Smaller Co's Fd	56.9	60.2	+0.3	1.43
(Accum Units)	56.9	60.2	+0.3	1.43
Exempt	367.2	376.6	-2.7	2.28
(Accum Units)	575.3	590.0	-4.1	2.28

Merlin Fund Mngmnt Ltd
30 St James St, London SW1A 1HB 01-925 1277

Merlin July 22	646.0	654.0	—	1.06

Metropolitan Unit Trust Mngrs Ltd
9 Darkes Lane, Potters Bar EN6 1AJ. 0707 45184

UK Income Fund	67.3	71.5	+0.3	4.20
Accum Units	67.3	71.5	+0.3	4.20
UK Growth Fund Acc	65.9	70.1	+0.3	1.43
Global Income Fund	49.9	53.0	+0.2	3.77
Accum Units	49.9	53.0	+0.2	3.77
Global Growth Fund	48.6	51.7	+0.4	0.48

Prudential Unit Trust Mngrs Ltd (a) (b) (c)
51-59 Ilford Hill, Ilford, Essex IG1 2DL 01-478 3377
Holborn Linkline 0800 010345

Holborn Capital Tst	82.6	87.4xd	+0.5	0.95
Holborn Equity Income	77.4	81.9	+0.7	3.14
Holborn Equity Tst	622.2	658.4	+3.8	2.05
Holborn European Tst	123.2	130.3	+0.9	0.64
Holborn Gilt Tst	211.0	220.1	-0.8	2.16
Holborn High Inc Tst	92.6	97.9xd	+0.5	4.41
Holborn Intl Gth Tst	122.8	129.9xd	+0.7	0.67
Holborn Japanese Tst	127.1	134.4	-0.4	0.04
Holborn N. Amer Tst	97.8	103.4	+1.1	0.47
Holborn Sm Cos Tst	83.8	88.6	+0.7	1.31
Holborn Spec Sits Tst	111.2	117.6xd	+0.7	1.24
Holborn UK Growth Tst	124.3	131.5	+0.7	1.42

Quilter Management Co Ltd
31-45 Gresham Street, London EC2 01-600 4177

Quadrant Gen. Fd	687.3	727.4	—	1.35
Quadrant Income	341.2	361.1xd	—	3.68
Quadrant Intl. Fund	457.4	484.1	—	1.03
Quadrant Spec. Sits	484.9	513.2	—	1.28

Reliance Unit Mgrs. Ltd
Reliance House, Tunbridge Wells, Kent 0892 510033

British Life	255.5	271.7	+2.0	2.11
Reliance Unit Tst (Inc)	178.3	189.5	+1.5	1.70
Reliance Ut Tst (Acc)	239.9	255.1	+2.1	1.70

Rensburg Fund Managers
Silkhouse Ct., Tithebarn St., Liverpool. 051-227 2030

Internat. Growth Trust	51.2	53.8	+0.5	1.5

N.M. Rothschild Fund Mgmt
St Swithin's Lane, London EC4 01-634 2981/4

NC America (Inc)	330.9	352.0xd	+2.2	0.77
NC America (Acc)	365.1	388.3	+2.4	0.27
NC Inc Fd	132.2	141.7	+1.3	2.46
NC Japan Fd	205.1	216.0	+2.9	0.0
NC Major UK Cos Fd	75.0	79.7xd	+0.7	1.57
NC Smllr Australasian	90.6	96.3	—	0.49
NC Smllr Canadian Co Fd	49.9	53.0	+0.5	0.92
NC Smaller Cos	255.9	272.2	+2.3	0.84
NC Smaller European	197.2	209.7	+1	0.46
NC Prop.*	157.2	171.6	—	[illegible]

*Unauthorised Unit Trusts
For Rowan see Merlin

[illegible]

INSURANCES

[illegible]

FT UNIT TRUST INFORMATION SERVICE

Manufacturers Life Insurance Co (UK)

Merchant Investors Assurance

Municipal Life Assurance Ltd

NEL Britannia Assce Co Ltd

NEL Pensions Ltd

NM Schroder Life Assurance Ltd

National Mutual Life

National Mutual of Australasia

National Provident Institution

Norwich Union Asset Management Ltd

Norwich Union Life Insurance Soc.

Pearl Assurance (Unit Funds) Ltd

Phoenix Assurance Co Ltd

Pioneer Mutual Insurance Co Ltd

Premium Life Assurance Co Ltd

Property Equity & Life Ass. Co

Property Growth Assur Co Ltd

Providence Capital Life Assc. Co Ltd

Provident Life Assc Ltd

Provident Mutual Life Assc. Assn.

Provincial Life Assurance Co Ltd

Prudential Assurance Co

Prudential Pensions Limited

Regency Life Assurance Co Ltd

Reliance Mutual

Royal Heritage Life Assurance Ltd

Royal Life Insurance Ltd

Royal Liver Assce (Life & Pensions)

Save & Prosper Group

Scottish Amicable Investments

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

Scottish Mutual Assurance Society

Scottish Mutual Investments

Scottish Provident Institution

Scottish Widows' Group

Shield Assurance Ltd

Skandia Life Assur Co Ltd

Standard Life Assurance Company

Sun Alliance Insurance Group

Sun Life of Canada (UK) Ltd

Sun Life Unit Assurance Ltd

Swiss Life Pensions Ltd

TSB Life Ltd

Target Life Assurance Co. Ltd

Teachers' Assurance Company Ltd

Transatlantic Life Assur Co Ltd

Trident Life Assurance Co Ltd

Tunbridge Wells Equitable

UK Life Assurance Co Ltd

Vanbrugh Life Assurance

Vanbrugh Pension Limited

Windsor Life Assur Co Ltd

OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

هكذا من الأصل

صلكذا منالأصل

FT UNIT TRUST INFORMATION SERVICE

Eurolife Assurance Group
5-11 Mortimer St, London W1N 7RH 01-631 0778

Sterling Eurobond Fd	134.9		---	—
Intl Eurobond Fd	134.0		---	—
Discretionary Fund	123.1		---	—

Euromobiliare Fd Mngt (Guernsey) Ltd
PO Box 105, St Peter Pt, Guernsey 0481 710607

Euromobiliare Bd Fd	9.95	10.00	---	—

S.G. Europe Obligations SA
9 Avenue de la Liberte, Luxembourg
London Agent: FFS, Salisbury House, London Wall EC2M 5TA Tel: 01-920 0776 Telex 887281

Europe-Obligations	$79.44	---	1.15

Europe Prestige Fund SA
37 Rue Notre Dame, Luxembourg Tel 47971

Europe Prestige Fd	Ecu11.55		

European Life (Channel Islands) Ltd.
Bordage Hse., St Peter Port, Guernsey 0481 710911

Grofund Invest Managers (Guernsey) Ltd
PO Box 86, Guernsey, Channel Islands 0481-26521

Grofund International	$2.349	3.061	---	0.26
Do. $ equiv	$1.786	1.920	---	—

Group One Limited
66 Front Street, Hamilton HM12 Bermuda
Merrill Lynch Intl & Co c/o MLE
27 Finsbury Sq, London, EC2A 01-382 8888
Shearson Lehman Bros Intl Inc
12 Upper Grosvenor St, London, W1. 01-493 2002
Prudential-Bache Securities (UK) Inc
5 Burlington Gdns, London, W1X 1LE 01-439 4191

US S&P 500 Index Ser 1	$316.60	331.92	+1.05	2.40
US GNMA Class Ser 1	$1012.58	1054.77	—	9.74

Guinness Flight Fund Mgrs (Guernsey) Ltd
PO Box 188, St Peter Port, Guernsey 0481 29506
GFIF Managed Currency Fund (Thurs)

$Participating Shares	33.64	34.58	---	5.5
$Accumulation Shares	45.01	46.24	---	

GFIF Currency Dep. Shares (Daily)

Kleinwort Benson Islamic Fd Mgmt Ltd
PO Box 44, Guernsey, CI 0481 27111

Islamic Fund	$6.30	6.80	---	0.43

Korea Growth Trust
Manager: Citizens Invest Trust Mgmt Co
112-1 Inwui-Dong Jongro-Ku, Seoul, Korea
c/o Robert Fleming & Co. Tel: 01-638 5858
NAV won 19,681.67 US$24.25

Korea International Trust
Fund Man.: Korea Invest. Trust Co Ltd
London Representative Office:
29 Mincing Lane, London, EC3 01-623 9833
NAV Won 26,323.67. DR value US$32,426.38

Lazard Offshore Funds
Dealers: 0481 21367

The New Zealand Fund
Manager: Leadenhall Offshore Ltd PO Box 71, Craigmuir Chmbs, Road Town, Brit Vrgn Isld, c/o Robert Fleming & Co 01-638 5858

The NZ Fund	$17.78	23.66	---	4.1

Nikko Intl. Cap. Mngt. Co (Europe) Ltd
c/o PO Box 109, Guernsey, CI 0481 23488

Japan Index Fund	Y2943	3023	---	—
New Generation Fd. $	$14.39	14.55	---	—

Nikko Luxembourg S.A.
B.P. 14, Luxembourg. Tel 46 25 84
Global Alpha Strategy Fund—SICAV

Nikko Gwth Pcky Fd*	$11,450.8	11,460.8	---	—
Pacific Alpha Fd*	$10.00	9.85	---	—
US/Europe Alpha Fd*	$10.00	9.85	---	—

*Prices as at July 27, 1987
US Index Fd—SICAV NAV July 27 $15.13

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

BRITISH FUNDS—Contd

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

1987 High	Low	Stock	Price	+ or -	Div Gross	Cvr	Y'ld Gr's
46⅞	36¼	NYNEX $1	42¾	+⅛	h$3.48	—	5.0
28	21¼	PHH	28xd	+2⅜	$1.04	—	2.3
25½	19⅝	Pacificorp $3.25	22⅞	-⅛	$2.52	—	6.9
19⅝	13½	Pacific Telesis $0.10	16½	+⅝	h$1.64	—	6.1
22	17¼	Pall Corp. 25c	18½xd	+⅛	34c	—	1.1
56⅞	45⅛	Pennzoil 83c	46⅝	+⅜	$2.20	—	2.9
28¾	21⅞	Pillsbury	28⅞xd	-⅛	$1.00	—	2.2
29	24½	Primerica $1.00	29	+1⅛	$1.60	—	3.4
36⅞	26¼	Quaker Oats $5	33⅞xd	+⅜	80c	—	1.5
42	28⅜	RJR Nabisco Inc	37⅛	+⅛	$1.60	—	2.6
39	27¾	Rep NY Corpn $5	31⅛	+½	$1.16	—	2.3
18¾	15⅞	Rockwell Intl. $1	17⅞	+⅛	66c	—	2.3

Continued on next page

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
ANZ Finance High Interest Cheque Acc Minerva Hse, Montague Cl, London, SE1. 01-378 2576				
£250-£2,500	7.00	5.27	7.36	Qtr
£2,500+	9.00	6.77	9.52	Qtr
Adam & Co. plc 22 Charlotte Sq, Edinburgh EH2 4DF 031-225 8484				
Full Service Cur Acc.	8.20	6.00	8.64	Qtr
Aitken Hume 30 City Road, EC1Y 2AY. 01-638 6070				
Treasury Acc	8.25	6.21	8.71	Qtr
Mdu mChq £1000-£5000	8.00	6.02	8.48	Mth
Mth. Int. Chq. £5,000+	8.25	6.21	8.75	Mth
AAB—Allied Arab Bank Ltd 97-101 Cannon St, London, EC4N 5AD 01-626 2046				
HICA, HICMA	8.75	6.58	9.30	Mth
Bank of Scotland 38 Threadneedle St, EC2P 2EH. 01-628 8060				
Money Mkt Cheque Acc	8.10	6.09	8.59	Mth
Barclays Prime Account PO Box 125, Northampton 0604 252891				
High Int. Cheque	8.00	6.00	8.40	Qtr
Benchmark Trust Ltd Premier Account 9 Henrietta Place, W1M 9AG. 01-631 3313				
£5,000-£10,000	9.00	6.77	9.43	6-mth
£10,001-£20,000	9.25	6.96	9.70	6-mth
£20,000+	9.50	7.15	9.97	6-mth
Brown Shipley & Co Ltd Founders Court, Lothbury, London EC2 01-606 9833				
Demand Acc	8.25	6.21	8.95	Qtr.
Charterhouse Bank Limited 1 Paternoster Row, EC4M 7DH. 01-248 4000				
Sterling	8.25	6.21	8.75	Mth
U.S. Dollar	6.25	4.70	6.85	Mth
German Marks	3.00	2.26	3.13	Mth
Swiss Francs	2.50	1.88	2.60	Mth
Japanese Yen	3.00	2.26	3.13	Mth
Citibank Savings St Martins Hse, Hammersmith Grove W6 01-741 4941				
Money Market Plus				
£1,000-£24,999	7.50	6.00	8.45	Mth
£25,000	8.00	6.30	8.88	Mth
Co-operative Bank Cheque & Save 78-80 Cornhill EC3 01-626 6543				
£500-£2,500	5.31	4.00	5.56	Qtr
£2,500+	7.31	5.50	7.69	Qtr
Dartington & Co Ltd 9 The Crescent, Plymouth PL1 3AB 0752 673873				

Money Market Trust Funds

UNIT TRUST NOTES

LONDON SHARE SERVICE

AMERICANS—Continued

1987 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
30⅛	22⅞	Sara Lee $1	27⅛xd	+⅛	$1.00	—	2.2
11⅛	8⅞	Saul (B. F.) $1	10¼xd	+⅛	20c	—	1.1
26¼	19⅞	Southwestern Bell $1	23¼	+⅛	h$2.32	—	6.1
18¾	14¼	Staley Continental	17¼	...	80c	—	2.8
44⅛	36½	Sun Co. Inc. $1	41⅛xd	+⅛	$3.00	—	4.5
37	28½	TRW Inc. $0.625	36⅛	+⅛	b$1.60	—	—
32⅞	25⅞	Tenneco $5	32⅞	+¼	$3.04	—	5.7
197½	149½	Do. 10pcLn.Stk. 91-5	197½xd	.....	10%	—	f5.1
29½	17⅛	Texaco $6.25	29xd	−½	$3.00	—	6.3
69	47¼	Time Inc. $1	69	+⅛	$1.00	—	0.9
14½	11	Tracor $0.33	12¼	+⅛	40c	—	2.0
27½	18⅞	Transamerica $1	27¼	+¼	$1.76	—	4.0
12⅞	923p	Transworld Corp $5	12⅞	+¼	20c	—	1.0
46¼	29¼	TRINOVA Corp.	45¼	+⅛	a$1.00	—	1.4
24⅛	15⅛	♥USX $1	23½	+⅛	$1.20	—	3.1
19⅞	15⅛	Union Carbide $1	17⅛	−½	$1.50	—	5.4
35⅛	26⅞	Utd. Technologies	34⅞	+⅛	$1.40	—	2.5
38⅞	27	US West‖	32⅞	+⅛	$3.28	—	6.2
28¼	17⅞	Waste Management $1	28¼	+½	—	—	—
£31⅛	£20½	Whirlpool $1.0	£21⅞	+¼	—	—	—
35⅞	26	♥Woolworth $3½	35⅛	+⅛	$1.32	—	2.3

CANADIANS

1987 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
21p	10p	♥Abbot Energy Corp.	20p	.....	—	—	—
12⅞	50bp	♥Amer. Barrick Res.	12⅞xd	+½	—	—	—
122p	52p	Armeno	77p	+2	—	—	—
19⅞	14⅝	Bk. Montreal ‖	16	+⅛	$2.00	—	5.8
10½	745p	Bk. Nova Scot.‖	851p	+20	72c	—	3.9
20⅞	18	BCE ‖	19¼	+⅛	$2.40	—	5.7
10⅛	712p	♥Bow Valley‖	992p	+26	40c	—	1.9
19¼	12⅞	♥Brascan‖	18⅛	+¼	88c	—	2.2
609p	277p	♥Breakwater Res.	440p	+18	—	—	—
11⅝	894p	Can.Imp.Bk. $2	10¼xd	+⅛	$1.08	—	4.6
14	865p	Can. Pacific ‖	13¼xd	+¼	48c	—	1.6
42½	37½	Do. 4pc Deb £100	41½	.....	4%	—	9.6
15¼	756p	♥Echo Bay Mines	15¼	+1⅛	20c	—	0.6
181p	66p	Euro-Asia Capital Ltd.	169p	+5	—	—	—
733p	283p	♥Galactic Resources	560p	.....	—	—	—
69p	32p	Global Data Systems	54p	.....	—	—	—
873p	399p	Granges Explo‖	757p	+8	—	—	—
19p	10p	♥Gt Pacific Res	18p	.....	—	—	—
14½	781p	♥Gulf Canada‖	14	+⅛	52c	—	1.7
13¾	10	♥Hawker Sid Can‖	13⅛	+⅛	96c	—	3.3
740p	460p	Henlys Group	528p	+24	—	—	—
14⅛	10½	Hudson's Bay ‖	12	.....	60c	—	2.3
37⅛	24¼	♥Imperial Oil‖	37⅛	+⅞	s$1.60	—	2.0
13⅛	782p	Inco‖	13⅛xd	+½	US$0.20	—	0.9
25⅛	14¼	♥Intl. Corona Res.	20¼	....	—	—	—
695p	575p	♥Inland Nat. Gas $1	681p	+8	60c	—	4.1
10⅛	385p	♥Lacana Mining Corp ‖	933p	−16	Q15c	—	0.7
363p	158p	♥Muscocho Expln.	305p	−11	—	—	—
10	748p	♥Ntnl Business Sys.‖	892p	+25	—	—	—
623p	338p	♥Nevada Goldfields	458p	−51	—	—	—
12	927p	♥Rio Algom	10¼	−¼	$1.30	—	5.6
19⅛	14¼	Royal Bk. Can. ‖	16¾xd	+¼	$2.00	—	5.5
385p	135p	♥Royex Gold Mining ‖	282p	+13	—	—	—
49½	40¼	Seagram‖	48¼	+⅝	US$1.00	—	1.3
15	11½	Toronto-Dom. Bk.‖	14⅛	+¼	84c	—	2.7
228p	19p	♥Trans Atlantic Res ‖	89p	.....	—	—	—
10¼	789p	♥Trans Can Pipe	886p	+31	$1.12	—	5.8
184p	124p	Varity Corp‖	157p	.....	8	—	—

BANKS, HP & LEASING

1987 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
194	146	ANZ $A1	187	−1	hQ20.7c	2.4	5.0	8.4
•273	230	Allied Irish	248	−3	Q61.6%	2.8	5.7	8.6
£164	£135¼	Algemene Fl.100	£149	+2½	nQ27%	2.1	5.6	8.5
•78	53	Anglo Irish	78	.....	gQ19.69%	1.4	5.6	19.9
108	84	Ansbacher (H.) 1p	105	+1	2.0	—	2.6	—
£40½	£24¼	Banco de Bilbao S.A.	£36½	.....	Q38%	3.0	2.6	20.5
£33½	£23½	Banco de Santander	£33½	+⅞	Q23.2%	♦	1.3	♦
•245	176	Bank Ireland IrL1	233	+2	gQ15.93%	2.9	6.3	8.1
£14	£11½	Bank Leumi	£14	.....	—	—	—	—

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Cont

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

INSURANCES

LONDON SHARE SERVICE

INSURANCES—Continued

[illegible]

LEISURE

[illegible]

MOTORS

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING—Continued

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Cont.

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

FINANCE, LAND—Cont.

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Continued

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Continued

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

High	Low	Stock	Price	+ or -	Div Net	Cvr	Y'ld Gr's	P/E
111	93	Abdahan Res. 10p	111	+1	—	—	—	—
46	9	Ardmore Pet. 'A'	22	-1	—	—	—	—
98	45	Catalyst Comms. 5p	88	+1	—	—	—	36.6
200	163	Chelsea Artisans 5p	168	......	—	—	—	22.5
180	155	Comac Group 5p	163	......	—	—	—	—
151	47	Corton Beach 10p	135	+5	0.4	♦	0.4	♦
200	150	Crown Eyeglass 5p	172	......	—	—	—	—
285	102	Edenspring Investment	265	......	—	—	—	—
*62	18	Eglinton Oil Ir.5p	33	-1	—	—	—	—
41	17	Do. Warrants	21	-1	—	—	—	—
186	101	Far East Res. 10p	183	......	—	—	—	—
82	17	Publishing Hldgs.5p	77	......	—	—	—	44.6
87	45½	Theme Holdings	78	+6	1.0	♦	1.8	♦
140	111	Unit Group	140#	......	R4.6	2.5	4.5	(10.0)

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 27 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♦ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- ♦ Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ¶ No par value.

B.Fr. Belgian Francs. Fr. French Francs. §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	91	+1	Fin. 13% 97/02	£103⅝	......
Craig & Rose £1	£20	......	Arnotts	370	......
Finlay Pkg. 5p	123	-1	CPI Hldgs	85	......
Holt (Jos) 25p	1803	......	Carroll Inds.	163	-2
IoM Stm. £1	146	......	Dublin Gas	18	......
			Hall (R. & H.)	140	-5
IRISH			Heiton Hldgs.	50	......
Fund 11¼% 1988	£100⅛	......	Irish Ropes	190	......
Nat. 9¾% 84/89	£97⅝	......	Unidare	430	......

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		
Allied-Lyons	40	NEI	12
Amstrad	20	Nat West Bk	65
BAT	55	P & O Dfd	65
BOC Grp	45	Plessey	22
BSR	17	Polly Peck	28
BTR	30	Racal Elect	24
Babcock	19	RHM	30
Barclays	52	Rank Org Ord	70
Beecham	50	Reed Intnl	45
Blue Circle	50	STC	30
Boots	25	Sears	15
Bowaters	50	TI	34
Brit Aerospace	55	TSB	10
Brit. Telecom	32	Tesco	55
Burton Ord	35	Thorn EMI	78
Cadburys	22	Trust Houses	24
Charter Cons.	40	Turner Newall	28
Comm Union	30	Unilever	300
Courtaulds	45	Vickers	20
FNFC	30	Wellcome	42
Gen Accident	95	**Property**	
GEC	24	Brit Land	25
Glaxo	200	Land Securities	45
Grand Met	55	MEPC	42
GUS 'A'	175	Peachey	45
Guardian	90	**Oils**	
GKN	30	Brit Petroleum	32
Hanson Tst.	15	Britoil	32
Hawker Sidd	58	Burmah Oil	45
ICI	125	Charterhall	6
Jaguar	52	Premier	11
Ladbroke	40	Shell	110
Legal & Gen	32	Tricentrol	11
Lex Service	45	Ultramar	24
Lloyds Bank	50	**Mines**	
Lucas Inds	62		
Marks & Spencer	22	Cons Gold	95
Midland Bk	55	Lonrho	26
Morgan Grenfell	35	Rio T Zinc	90

A selection of Options traded is given on the London Stock Exchange Report Page.

LONDON STOCK EXCHANGE

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
July 13	July 23	July 24	Aug 3
July 27	Aug 6	Aug 7	Aug 17
Aug 10	Aug 20	Aug 21	Sept 1

* New time dealings may take place from 9.00 am two business days earlier.

Setback in Government securities reverses firm opening by leading equities

The UK securities markets' underlying worries over domestic interest rates and trading settlement problems surfaced suddenly at mid-session yesterday when a dip in sterling sent Government bonds sharply downwards and reversed an early gain in the equity sector. Interim results from **Barclays** and **Imperial Chemical Industries**, while well received initially, could not save these two blue chip shares from the general market setback.

The sluggishness in the Gilt-edged market this week, which reflects the City's nervousness ahead of the publication on August 11 of the UK trade figures for June, remained the key to the rest of the securities markets. Equities opened firmly, on the back of Wall Street's overnight strength, but were already losing pace as bond prices slipped lower. On sterling's fall, bonds extended early losses to close 1¼ down, while the equity sector turned from a 15-point gain on the FT-SE index to a fall of similar proportions.

A modest rally towards the close left the FT-SE 100 index with a net fall on the day of 12.6 at 2,370.5. The FT Ordinary index lost 12.1 to 1,862.3.

"A lot of background worries came into the middle ground today," commented one leading trader. The fall in the pound revived worries over the outlook for interest rates — although short term rates remained steady.

There was increased turnover in the equity market and the setback in major indices reflected hefty falls in several leading stocks—often for somewhat unconvincing reasons. The market's underlying nervousness was indicated in its failure to respond favourably to the absence of a rights issue from ICI. Barclays also closed sharply down despite an initially satisfactory response to the first-half results.

Glaxo, firm with the market at first, tumbled heavily later although analysts brushed off a re-run in a London newspaper of the old story that antibiotic treatment for ulcers is about to undermine sales of Zantac, Glaxo's wonder drug. The City took heed, however, of press criticism of **Beecham**.

Government bonds took a hefty tumble, and were "feeling terrible" at the close of the session. Most of the activity took place in the LIFFE futures pits, where prices were quickly struck down as sterling dipped against the dollar.

Long-dated Treasuries, easier from the opening, showed net losses of 1¼ at worst, before steadying at the close. Dealers said that little retail selling took place, but marketmakers were passing stock around the market in a hurry as small professional sales fell onto a trading area which has lacked genuine investment support for the past week.

But amid the turmoil in equities, James Capel, the UK broking house, was believed to have successfully carried out the major part of a £300m restructuring of a large fund portfolio, which involved most of the major market sectors.

The portfolio, which was being moved to a new fund management team, also includes a range of foreign stocks which are likely to trade through London and Continental markets this week.

Dealers attentions were largely focused on ICI during the morning trading session as the market awaited the announcement of the company's half-year figures. In the event, these proved to be well up to most market expectations, but did not meet the more optimistic forecasts. The ICI share price which touched £15$\frac{11}{16}$ in the early dealings eventually settled a shade cheaper on the day at £15$\frac{7}{16}$.

Securities house, Wood Mackenzie, regarded the figures as "very good" and their analyst is upgrading his profits forecast for the company from £1.250m to £1.330m. Warburg Securities, recently bullish of ICI in front of the figures, continued to recommend the shares to clients.

Barclays interim profits were only a shade below expectations, and the heavy fall of 32 to 621p in the share price reflected the generally weak tone of the market. The initial mark-down of 10 seemed "about right," commented Mr William Vincent at Salomon Bros, the US house.

The stock has risen sharply over the past three months, and a part of yesterday's fall reflected the expected profit-taking. Analysts views of the shares are unlikely to be changed by the interim report.

GKN were actively traded and jumped 32½ to 428½p as speculators continued to pin their hopes on a bid for the company. BTR were again being mentioned as a possible predator. Some 7m shares changed hands yesterday, while the sharp advance in the share price was also helped along by a big turnover in the traded options market.

GKN are scheduled to reveal interim figures next Wednesday, but analysts are not expecting much in the way of fireworks on this score with forecasts ranging around the £67m mark for the half year.

Storehouse, the high street retail group, was again subject to considerable speculative activity and rose 21 more to 364p as some 27m shares changed hands. Talk of an imminent break-up bid continued to do the rounds despite Sir Terence Conran's statement at the recent annual meeting that the business was not for sale. **Woolworth**, almost inevitably mentioned as a likely suitor, dipped 13 to 400p but the group was understood not to have purchased any stake in Storehouse and the fall in the share price was more attributable to around 1.3m shares going through the market at 413p apiece as part of a programme trade by brokers James Capel.

Later advices suggested **Sears** as a possible bidder for Storehouse, a move which would be seen as an expensive "poison pill." Talk that Mr Robert Holmes a Court's Bell Group had been unable to dispose of its stake through the market at 186p on Wednesday coupled with a "sell" recommendation from Wood Mackenzie saw Sears dip 11½ to 173½p. The disclosure that Bell had actually increased its holding to 5.66 per cent, had no effect on sentiment.

Harris Queensway were sold afresh, falling another 16½ to 203½p—the share have now fallen 26½ since the sacking of joint chief executive Peter Carr on Tuesday.

Bank stocks suffered falls as Barclays rounded off the interim reporting season. While the half-time reports from the sector have brought few surprises, the shares appeared vulnerable to profit-taking now that there is little news expected in the near term. The increased reserves against international sovereign debts disclosed by the major banks has satisfied the City, and is expected to bring a generally favourable view from stockbroking analysts.

Barclays drifted easier ahead of the profits statement, and extended the loss by only a few pence when the news reached the market. But the setback in equities in the second half of the session sent Barclays shares plunging, although selling was not heavy.

The rest of the sector traced a similar pattern, with **Lloyds** finally 19 off at 363p, **Midland** 2 down at 623p and **National Westminster** 18 off at 749p.

Debenham Tewson and Chinnock got off to a bright start, not entirely unexpected as the offer was 17 times oversubscribed. Offered at 170p, the shares quickly established a sizeable premium and settled at 215p.

The signing of the treaty for the building of the Channel tunnel created early interest in some of the possible beneficiaries with **Tarmac** closing 4 to the good at 331p. Elsewhere, **RMC** were actively traded before settling a shade firmer at 524p. **Redland** rose 11 further to 568p on the announcement that Monier had now become a subsidiary following the acquisition of a 50.1 per cent stake in the company. **British Dredging**, recently the subject of newsletter comment, revived with a gain of 11 at 239p.

Thorn EMI fell to 712p in reaction to a rather cautious Press response to the proposed purchase of Rent-a-Center of the US. Other leading Electricals also gave ground with **GEC**, which also recently revealed plans for expansion in the US, finally 6 off at 234p, and **Cable and Wireless** also 6 lower at 425p. **STC**, however, met occasional demand and hardened a few pence to 317p awaiting next Monday's mid-term statement. **Cray Electronics** advanced 36 to 540p reflecting satisfaction with the proposed 100 per cent scrip issue and sharply increased preliminary profits. **Louis Newmark**, annual results scheduled for today, hardened 5 to 408p, but cautious comment left **Chloride** 8 off at 101p. **MBS**, still drawing strength from the acquisition of Manchester-based Combro, improved 11 for a two-day gain of 23 to 169p.

Among Engineers, **TI** featured a rise of 21 at 415p in the wake of buying ahead of the interim figures scheduled for next Thursday. **Hawker**, in contrast, gave up 20 of the previous day's sharp rise which followed news of further expansion into the US. Along with a number of other engineering companies, Hawker have been recently suggested as a possible bid target for BTR. **Neepsend** advanced 6 to 72p in response to the recovery in the annual profits.

Foods, a rising market recently, traded in narrow fashion before succumbing to the general malaise. **Unigate** dipped another 6 to 385p following publicity given to the downgrading of group profits by a number of brokers. **Hillsdown**, firm initially on further consideration of a broker's bullish circular, dipped to 318p but later rallied to close at 320p — down 5 on the session — as news of the £125m Eurobond issue diminished fears of an imminent rights issue.

Apart for Glaxo, other Pharmaceutical stocks provided several noteworthy movements. **Wellcome** advanced 11 to 486p mainly in response to the attentions of one large buyer. **Beecham**, however, dipped 9 to 559p, sentiment here being unsettled by a bearish article in a financial magazine. Elsewhere, Press comment stimulated fresh demand for **Blue Arrow** which advanced $\frac{13}{16}$ to £11$\frac{1}{16}$, while **Reed Executive** gained 45 to 980p in sympathy. **Amari** advanced 8½ to 234½ in the wake of Suter's announcement of a further increase in its stake in the company to 13.94 per cent. The latter were also a good market at 309p, up 19. **Chemical Methods** rose 6 to 43p on news of discussions which may lead to a minority holding being taken in the company. **Cannon Street Investments** improved 6 to 396p on the proposed acquisition of Systems 80 Double Glazing, while the agreement to purchase Hamilton Electrical Distributors for a consideration of £25.75m left **AAH** 6 to the good at 452p.

The prospect of bumper profits emanating from the impending "E" registration directed revived interest to a Motor Distributors sector already buoyed by bid speculation. **Appleyard**, firm recently after a press mention and due to reveal interim results shortly, put on another 4 to 437p, while other beneficiaries included **C. D. Bramall**, **Evans Halshaw** and **Lookers**. The best movement in the sector, however, was provided by **Lex Service** which spurted 15 to 463p as brokers were quick to issue "buy" notices in the wake of the better-than-expected interim profits.

Leading Properties made progress with **British Land** outstanding at 335p, up 17p, along with **Capital and Counties**, 20 to the good at 435p. Dealings resumed in **Alfred Walker** at 513p, compared with the suspension price of 360p.

Calmer conditions prevailed in the Oil Market with leading issues trading around overnight closing levels. Elsewhere, **Premier** improved 3 to 80¼p following the chairman's remarks at the annual meeting that the results for the first quarter show a very satisfactory trend.

In the mining sector, most of the action lay with **Consolidated Gold Fields** and **RTZ**, both of which extended their recent gains in heavy trade as the market continued to respond to the uncertainties in the Gulf.

South African producer stocks were unsettled by an easier trend in the Rand but rallied to close little changed on the day. Dealers said that both the Cape and the Continental funds were willing buyers.

Increased demand for both calls and puts lifted total contracts struck in traded options to 48,300. As on Wednesday, Sears attracted a lively and evenly-balanced business with 2,974 calls and 3,495 puts transacted. ICI recorded 1,478 calls and 746 puts following the interim statement, while takeover chatter prompted interest in GKN positions which contributed 2,570 calls. British Telecom and British Gas attracted 3,353 and 2,897 calls respectively.

FINANCIAL TIMES STOCK INDICES

	July 30	July 29	July 28	July 27	July 24	Year ago	1987 High	1987 Low	Since Compilation High	Since Compilation Low
Government Secs	88.19	88.67	88.76	88.37	89.35	89.06	93.32 (8/5)	84.49 (6/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	96.61	96.43	96.52	96.73	96.90	95.97	99.12 (15/6)	90.23 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1862.3	1874.4	1855.0	1834.2	1845.0	1272.0	1,926.2 (16/7)	1,320.2 (2/1)	1,926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	459.8	454.2	440.0	439.8	442.8	193.3	485.0 (14/4)	288.2 (19/2)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	3.10	3.07	3.10	3.14	3.12	4.34				
Earnings Yld.%(full)	7.51	7.45	7.52	7.62	7.58	10.55				
P/E Ratio (net) (*)	16.37	16.52	16.35	16.12	16.22	11.56				
SEAQ Bargains (5 pm)	53,434	51,519	51,949	47,113	58,915	—				
Equity Turnover (£m)	—	2,082.60	1,665.21	1,545.45	1,742.85	488.51				
Equity Bargains	—	69,926	66,801	61,397	63,904	18,259				
Shares Traded (ml)	—	—	773.2	712.0	897.5	233.4				

♥ Opening 1883.6 | 10 a.m. 1884.2 | 11 a.m. 1881.2 | Noon 1879.9 | 1 p.m. 1874.0 | 2 p.m. 1874.7 | 3 p.m. 1865.9 | 4 p.m. 1859.3

Day's High 1888.4 Day's Low 1858.9. Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974, *Nil=16.07.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

S.E. ACTIVITY

Indices	July 29	July 28
Gilt Edged Bargains	117.2	128.1
Equity Bargains	453.1	432.8
Equity Value	4209.5	3365.8
5-Day Average		
Gilt Edged Bargains	131.3	140.7
Equity Bargains	413.8	399.4
Equity Value	3694.6	3666.9

NEW HIGHS AND LOWS FOR 1987

NEW HIGHS (208)

AMERICANS (24), CANADIANS (3), BANKS (3), BREWERS (3), BUILDINGS (6), CHEMICALS (5), STORES (6), ELECTRICALS (14), ENGINEERING (13), FOODS (6), HOTELS (1), INDUSTRIALS (45), INSURANCE (1), LEISURE (2), MOTORS (3), NEWSPAPERS (4), PAPERS (5), PROPERTY (6), SHIPPING (2), SHOES (1), SOUTH AFRICANS (2), TEXTILES (1), TRUSTS (19), OILS (4), OVERSEAS TRADERS (1), PLANTATIONS (3), MINES (25).

NEW LOWS (9)

BRITISH FUNDS (6) Treas. 8pc 1991 (20pd), Treas. 8pc 1992, Treas. 8½pc 2000 (30pd), Exch. 9pc 2002, Treas. 8pc 2002/06 "A", Conv. 9pc Ln. 2011, AMERICANS (1) CityFed Fin. Corp., ELECTRICALS (1) UCL Group, INDUSTRIALS (1) Hawtal Whiting.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing price	Day's change	Stock	Volume 000's	Closing price	Day's change
ASDA-MFI	12,000	207	+3	Jaguar	1,300	588	−1
Allied Lyons	2,600	456	−4	Ladbroke	2,800	444	—
Amstrad	3,200	177	−4	Land Securities	1,800	574	−8
Argyll Group	3,200	446	−2	Legal & Gen.	595	335	−6
Assoc. Brit. Foods	588	384	−3	Lloyds Bank	4,500	363	−19
BAT	4,000	640	+8	Lonrho	6,500	300½	+½
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Glaxo	3,200	£17½	−¼	Storehouse	26,750	364	+21
Globe Investment	1,000	186	−1½	Sun Alliance	508	£11	+⅛
Granada	2,200	353	+3	TSB	3,400	90¼	−½
Grand Met	3,400	567	−7	Tarmac	5,200	331	+4
GUS "A"	303	£14½	—	Tesco	7,700	204	+6
Guardian R.E.	244	£10½	−¼	Thorn EMI	4,000	712	−32
GKN	6,860	428½	+32½	Trafalgar House	882	420	−2
Guinness	3,900	377	+3	T'house Forte	4,250	271½	−5
Hammerson	596	618	+5	Unigate	1,100	385	−6
Hanson Trust	29,000	180½	—	Unilever	1,000	682	−4
Hawker Sidd	2,500	611	−19	United Biscuits	1,800	330½	−3½
Hillsdown Hldgs	5,200	320	−5	Wellcome	3,700	486	+11
ICI	3,400	£15$\frac{7}{16}$	−$\frac{3}{16}$	Whitbread "A"	1,000	367	−3
				Woolworth	4,400	400	−13

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	2	110	1
Corporations, Dominion and Foreign Bonds	1	19	38
Industrials	557	482	521
Financial and Properties	142	178	279
Oils	38	27	49
Plantations	5	0	9
Mines	78	29	83
Others	130	49	77
Totals	953	894	1,057

FT-ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS

Thursday July 30 1987

[illegible]

FIXED INTEREST

[illegible]

LONDON TRADED OPTIONS

[illegible]

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price	+ or −	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
245	100	—	147	139	BAA	139	−2	L6.6	2.4	3.1	18.2
††	F.P.	—	68	65	BHP Gold Mines A$0.25	68	+2	—	—	—	—
$110	F.P.	14/8	163	111	Babygro 10p.	163	—	R2.4	3.2	2.1	19.1
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

[illegible]

"RIGHTS" OFFERS

Issue Price	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price	+ or −
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
125	Nil	—	21pm	13pm	Dobson Park 10p.	21pm	.....
435	Nil	—	145pm	130pm	Domino Print Sc. 5p.	135pm	−5
¶¶	Nil	4/9	74pm	38pm	ERA Group 5p.	60pm	−2
25	Nil	11/9	14¼pm	6¼pm	Elswick 5p	14¼pm	+¼
210	Nil	11/9	95pm	78pm	Euro. Home Prods. 5p	78pm	−2
320	Nil	7/9	45pm	15pm	Frogmore Estates 50p.	25pm	−2
120	Nil	24/8	35pm	24pm	‡Hughes Food 5p	29pm	+2
500	Nil	15/9	70pm	35pm	Joseph (Leopold) £1	35pm	−10
140	Nil	4/9	49pm	25pm	‡Laidlaw Thomson	47pm	−2
180	Nil	—	115pm	115pm	Lee Cooper	115pm	.....
360	Nil	4/9	95pm	85pm	Tipbook 10p.	95pm	+5
48	Nil	—	20pm	13pm	W. A. Hldgs 10p.	17pm	−1
875	Nil	5/8	40pm	3pm	WPP Group 10p	5pm	−5

Renunciation date usually last day for dealing free of stamp duty. a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. F Dividend and yield based on prospectus or other official estimates for 1986/7. H Dividend and Yield based on prospectus or other official estimates for 1987. L Estimated annualised dividend, cover and p/e based on latest annual earnings. q Earnings based on preliminary figures. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma Figures t Indicated dividends; cover relates to previous dividend; p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ‖‖ Introduction. ** Issued by way of capitalisation. § Placing price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ■ Allotment price. ‡ Unlisted securities market. †† Official London listing. ‡‡ Including warrants entitlement. ‡ Placing and offer for sale price. * Third Market.

مكتبة من الأصل

WORLD STOCK MARKETS

Indices

TORONTO	July 30	July 29	July 28	July 27	1987 High	1987 Low
Metals & Minls	3,350.1	3,292.7	3,238.10	3,256.89	3,292.78(29/7/87)	1,988.2 (2/1/86)
Composite	4,023.6	4,088.8	3,956.20	3,946.33	4,800.8 (29/7/87)	3,067.8 (2/1/86)
MONTREAL Portfolio	2,021.12	2,013.22	1,987.38	1,983.74	2,224.77(16/7/87)	1,634.3 (2/1/85)

* Indicates pre-close figure

SOUTH AFRICA						
JSE Gold (28/9/78)	(u)	2364.0	2312.0	2296.0	2369.0 (23/7)	1786.0 (19/3)
JSE Indust (28/9/78)	(u)	2125.0	2111.0	2110.0	2125.0 (30/7)	1423.0 (2/1)
SPAIN						
Madrid SE (30/12/85)	284.36	281.11	276.61	270.87	284.36 (30/7)	202.89 (8/5)
SWEDEN						
Jacobson & P. (31/12/56)	2912.54	2912.50	2883.30	(u)	2912.54 (30/7)	2111.39 (28/1)
SWITZERLAND						
Swiss Bank Cp.(31/12/58)	663.40	659.4	658.0	648.4	663.40 (30/7)	559.7 (25/2)
WORLD						
M.S.Capital Intl. (1/1/70)	(u)	465.7	462.8	460.50	480.30 (12/6)	361.3 (2/1)

**Saturday July 25: Nikkei Index: 23,964.91.

Base values of all indices are 100 except Brussels SE—1,000 JSE Gold—255.7 JSE Industrials—264.3 and Australia. All Ordinary and Metals—500; NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 transports. (c) Closed. (u) Unavailable.

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day	Wednesday	Stocks traded	Closing Price	Change on day
ATT	3,386,900	32⅝	+⅞	Pinnacle	2,195,000	30¾	−¼
Union Carb.	3,248,100	27⅞	−⅞	Amer. Express	2,181,400	37	+⅞
GTE Corp.	2,502,100	39⅝	+⅝	USX Corp.	1,928,700	38⅛	+⅝
Amer. Motor	2,463,300	4½	+⅛	Anheuser	1,847,000	38½	+2¼
Boeing	2,204,500	52⅞	−⅞	Gerber	1,719,200	61½	+5½

LONDON – Most Active Stocks
Thursday, July 30, 1987

	Stocks Traded	Closing Price	Change on Day		Stocks Traded	Closing Price	Change on Day
Hanson Tr.	29.0m	186½	uch	Brit Telecom	10.0m	288	+ 2½
Storehouse	28.7m	364	+21	Racal	8.7m	277	− 5
Sears	25.7m	173½	−11½	Tesco	7.7m	294	+ 6
Brit Gas	22.0m	118	− ½	GKN	6.9m	428½	+32½
ASDA-MFI	12.8m	287	+ 3	Lonrho	6.5m	308½	+ ½

TOKYO – Most Active Stocks
Wednesday, July 29, 1987

	Stocks Traded	Closing Prices	Change on Day		Stocks Traded	Closing Prices	Change on Day
Hitachi Ltd	49.77m	1,250	+ 50	Teikoku Oil	18.06m	1,080	+ 70
Fujitsu	42.58m	1,270	+100	Nippon Steel	16.00m	316	− 9
Matsushita Elec. Ind.	33.83m	2,600	+ 60	Nippon Kogaku	13.72m	992	+ 53
Koho	21.07m	1,230	+ 70	NEC	13.31m	2,160	+190
Sharp	19.34m	1,340	+ 10	Canon Inc.	13.28m	1,030	+ 61

LONDON Chief price changes
(in pence unless otherwise indicated)

RISES:
Bl. Arrow £11⅛ + 13/16
Cons. Gld Flds £14⅝ + 11/16
Cray Elecs 540 +36
GKN 428½ +32½
Lex Serv 463 +15
Redland 568 +11
Storehouse 364 +21
Suter 310 +20
TI Group 415 +21
Ultramar 315 + 8

FALLS:
Tr. 13¾pc 2000-03 £127⅞ − 15/32
Tr. 13½pc 2004-08 £131 17/32 − 1⅛
Beecham 559 − 9
Hawk. Siddeley 611 −19
Sears 173½ −11½
Thorn EMI 712 −52
Unigate 385 − 6
Woolworth 400 −13

WE REGRET that Canadian prices were not available for this edition due to computer problems.

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Continued from Page 39

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
35	20⅛	AAR s	.50	1.6	21	335	32	31	31¾	+⅝
37	22	ADT	.92	2.9	16	805	31¾	31½	31½	−⅛
30	16¾	AFG s	.16	.6	10	510	28½	28¼	28½	+⅛
22⅜	8⅝	AGS s			17	356	18⅞	18¼	18⅝	−¼
11⅞	6¾	AMCA				21	9⅝	9¼	9⅝	
9⅜	4⅞	AM Intl				6215	8⅛	7⅝	7⅞	+¼
62⅞	49¼	AMR			14	12206	u64½	62⅜	64½	+2
27½	24⅞	ANR pf 2.67		10.		4	26¾	26¼	26¼	−¼
11¾	8	ARX s			12	94	10½	10¼	10¼	−¼
73½	30½	ASA	2a	2.9		1666	70	68¼	68⅜	−⅜
30	9¾	AVX		2.0	33	94	16⅜	15¾	16⅜	+⅜
67	41	AbtLab	1	1.6	25	5447	64¼	63⅛	63⅝	−½
26	24¼	Abitibi g				232	u26¼	24¾	26¼	+1½
28¾	16⅝	AccoWs .44		1.5	25	439	28⅝	28⅝	28⅝	
15⅜	9	AcmeC .40		2.5	16	1178	u16	14¾	15⅞	+1½
8⅜	6⅛	AcmeE 32b		4.1	30	27	7⅞	7¾	7⅞	
23⅞	19	AdaEx 3.42e		16.		152	22¼	22	22	
19½	11⅜	AdmM s .24		1.7	11	26	14½	14⅜	14½	−⅛
25⅛	12⅛	AdvSys.62t		2.7	17	114	23⅛	22½	23⅛	+⅛
24½	12⅞	AMD				2143	17⅞	17⅛	17¾	−⅛
54¾	47	AMD pf	3	6.2		151	48¾	48⅜	48¾	+⅛
11	5¼	Adobe				113	11	10¾	10⅞	
20½	13¾	Adob pf 1.84		9.3		9	19⅞	19⅝	19⅞	
[illegible]										

Continued on Page 39

NYSE COMPOSITE CLOSING PRICES

Continued from Page 38

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
19¼	14⅝	PhilSb s	.94	6.3	12	80	15¼	15	15	−½
98¾	63	PhilMr	3	3.0	14	11415	98¾	96⅝	98½	+1¼
23	13	Philpl s	.44	2.0	17	x329	22¼	21¾	21¾	
27⅜	18⅝	PhilGl	.80e	3.1	12	1419	25⅞	25⅝	25⅝	−¼
18¾	8¼	PhilPet	.60	3.3	50	9231	18¼	17¾	18	−¼
24¾	19¼	PhilPt	pf1.73	7.2		28	24⅛	24⅛	24⅛	
25¾	15⅛	PhilVH s	.28	1.1	18	6655	25	24	24¾	
13½	5⅛	Phlcrp n				146	6⅝	6⅛	6⅝	+⅛
71	39¼	PiedAv	.32	.5	16	639	68¼	68⅛	68⅛	−⅛
71	49¾	PiedA pf				3	68¼	68¼	68¼	
24¼	18⅝	PiedNGL32		5.8	11	7	24	23¾	23¾	−¼
14⅝	6¾	Pier 1			30	153	13⅝	13¼	13½	
10	7¼	PilgRg	.26e	3.3		256	8⅛	8	8	−⅛
15⅜	7⅞	PilgPr	n.02e	.2	9	184	9¼	8⅞	9⅛	+⅛
47¼	32⅝	Pilsby s	1	2.1	23	10116	u47½	45⅝	47¼	+1¾
32¾	27½	PinWst2.80		9.3	9	1670	30⅜	30⅛	30¼	
43	22¼	PionrEL13e		.3	104	15	42⅝	42½	42⅝	−⅛
48⅞	26½	PitnyB s	.76	1.7	20	1899	44⅞	43	44⅞	+1
181	114	PtnB	pf2.12	1.2		10	176	175	176	+3
16½	10½	Pittstn			68	10360	u17¾	15⅞	17⅝	+1⅝
33¾	20¼	PlainsP.05e		.2	67	154	29⅛	28¾	28¾	−¼
25¼	15½	Plantrn	.16	.7	15	x53	21¾	21¾	21¾	+⅛
14¾	5⅞	Playboy				40	13⅞	13¾	13¾	+⅛
40¾	23½	Plessey	1e	3.1	14	7	33½	32⅝	32⅝	−1⅛
9	4¼	PogoPd				484	8⅛	8	8⅛	
42¾	27⅝	Polard s	.60	1.9	17	6055	32	31⅜	31⅞	+½
24½	8⅞	PopTals.44		2.1	9	389	21⅛	20⅛	20⅝	+⅜
18	11⅛	Portec				15	13⅝	13⅜	13⅝	+⅛
36¾	22¾	PortGC1.88		7.9	13	273	24⅞	24⅝	24⅞	
41⅞	25¾	Potlch s.84		2.6	12	1636	33	31⅛	32¾	+1¾
88	57	Potlr	pf3.75	5.5		256	68	68	68	+1¾
29⅝	21¼	PotmE s1.30		5.8	11	893	22	21⅝	21⅞	−⅛
49¼	42¼	PotEl	pf3.37	7.7		x2	44	44	44	+⅞

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
14	8⅛	WolvrW			45	90	12⅞	12⅝	12⅝	−⅛
57¾	37	Wlwth s1.32		2.3	17	2849	u58	57¼	58	+1½
161	108	Wolw	pf2.20	1.4		1	u162⅛	162⅛	162⅛	+3½
7¼	2	WrldCp				71	7¼	7⅛	7¼	
19¾	14⅜	WrldVl n				141	19⅛	18¾	19	+⅜
54⅞	41¼	Wrigly s1.04		1.9	18	157	u56	54¾	54¾	−⅛
18⅞	11⅛	WylaLb	.32	1.9	33	48	16⅝	16⅛	16½	+⅛
24¾	16	Wynns	.60	3.1	15	38	19¼	19	19⅛	−⅛
		X Y Z								
81¼	51	Xerox	3	4.1	16	6198	74¾	73¼	73¼	−1¼
58¼	54¼	Xerox	pf5.45	9.8		55	55½	55⅜	55⅜	
28⅞	21½	XTRA	.64	2.3	20	153	28⅝	28⅛	28¼	+⅛
26	25⅜	XTRA	pf1.94	7.3		151	u26½	26¼	26½	+½
27⅞	15	Yorkin			13	202	27	26⅛	26¾	−⅛
7¼	2¼	Zapata				589	6¾	6⅝	6⅝	−⅛
35¼	20¾	Zayre	.40	1.5	18	3251	30⅛	29⅝	29¾	+⅛
14¾	9¾	Zemex	.40	3.0	9	17	13⅝	13⅛	13⅝	
29¾	18⅞	ZenithE			120	4374	u30¼	29	30	+⅞
13½	8	ZenLab				512	10	9⅝	9¾	−¼
19½	12⅝	Zero	.36	1.9	19	451	18¾	17⅞	19½	+⅝
29⅝	16⅝	Zurnln s			19	179	29	28	28⅝	−¼
10⅝	8¾	Zweig	n.65e	6.5		859	10	9⅞	10	+⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in-full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

OVER-THE-COUNTER Nasdaq national market, closing prices

Continued on Page 37

FINANCIAL TIMES

WORLD STOCK MARKETS

AMERICA

Japanese cash helps lift prices in high turnover

WALL STREET

PICKING UP momentum, Wall Street's stock market rally rolled on yesterday with higher volume accompanied by large price rises as some sceptics joined the buyers, *writes Roderick Oram in New York*.

Equities shrugged off weaker credit markets where bond prices slipped up to ¾ of a point as the Treasury began to auction $45.65bn of bills and notes over four trading sessions. Bond prices made a partial recovery later despite weakness in the dollar.

The Dow Jones industrial average closed up 27.90 points at a record 2,567.44. It overcame profit-taking in mid-morning which temporarily wiped out early gains to post its seventh consecutive rise.

The best gains were concentrated in a few Dow stocks, with Du Pont rising $1¼ to $124⅞, Exxon up $1⅜ to $93⅞, Goodyear Tire & Rubber up $1¾ to $75¾, Primerica up $1¼ to $45⅞, United Technologies ahead $1⅛ to $57⅜ and Woolworth up $1⅛ at $58.

Broad market indices did less well but also set records, with the Standard & Poor's 500 adding 2.40 to 318.05 and the New York Stock Exchange composite adding 1.32 to 178.32.

Strong buying from abroad, particularly Japan, and greater activity by domestic institutional investors contributed to the brisk trading. NYSE volume was 208.2m shares with advancing issues leading those declining by a ratio of three to two.

Glaxo dropped $⅞ to $28¼ on heavy volume of more than 2.5m American Depository Receipts which made it the third most active New York Stock Exchange issue. The British drug company was hit by controversy in Europe and the US over its Zantac drug, one of the world's best-selling ulcer treatments. Reports suggest that ulcers may be caused by bacteria and could therefore be more readily treated by antibiotics rather than specialised drugs.

St Paul Companies, up $¼ to $49¼, and USF&G, up $⅛ to $38⅞, continued the string of generally good results from insurance companies.

A rare takeover in the utility sector appears to be in the making. PacifiCorp, unchanged at $35⅝, confirmed it was interested in acquiring Utah Power and Light, up $¾ to $27¾. Earlier this week Utah said it had received several merger proposals "in excess of its market value", then around $24½ a share. Analysts believe the company is worth about $30 a share.

Credit markets traded listlessly ahead of the heavy schedule of Treasury auctions which began yesterday morning. Bond prices slipped progressively from the opening as the dollar fell on rumours of central bank intervention. The benchmark 8.75 per cent Treasury long bond was down ⅝₂ of a point at 99¼ yielding 8.83 per cent in late afternoon.

In addition to questions over the markets' ability to absorb the new securities, the increase of 0.8 per cent in the index of leading economic indicators in June announced yesterday was a little stronger than expected and thus somewhat negative for the markets.

The Treasury sales were made possible by congressional approval on Wednesday of a temporary increase in the federal Government's debt ceiling to $2,320bn from $2,111bn. It is effective only until August 6 but gives Congress more time to try to restore some teeth to the Gramm-Rudman-Hollings deficit reduction act. The Supreme Court struck down the act's automatic spending cut provisions last year, and a reinvigorated act would meet approval in the markets.

The auction schedule was $13.2bn of three and six-month Treasury bills yesterday morning, $9.75bn of two-year notes yesterday afternoon, $13.2bn of three and six-month T-bills next Monday and $9.5bn of one-year notes next Tuesday.

At yesterday morning's auction, the average discount yield on three and six-month bills was 6.14 per cent and 6.20 per cent respectively, up sharply from 5.55 per cent and 5.54 per cent at the previous sale on July 13. The average yield on two-year notes was 7.66 per cent, up from 7.46 per cent on June 23.

CANADA

CONTINUED enthusiasm for gold and base metal issues kept Toronto shares at buoyant levels.

Miners led the actives, with Inco pulling up C$⅛ to C$28 and Falconbridge adding C$⅜ to C$28¼. Cominco moved up C$¼ to C$21⅞ despite saying the strike at its zinc-lead smelter in British Columbia would hurt third-quarter results.

As golds advanced with the bullion price, International Corona managed a C$1¼ rise to C$44½, Placer added C$½ to C$24⅝ and Dome Mines C$⅛ to C$20½.

Montreal and Vancouver both moved ahead.

SOUTH AFRICA

GOLDS eased slightly but closed off the day's lows as trade remained busy in Johannesburg.

Leading gold Randfontein gave up R6 of Wednesday's R23 jump to close at R459 while Southvall added R3 to R234. Among the cheaper issues, Beatrix fell 50 cents to R22.25.

Mining financials also weakened. Gencor lost 50 cents to R60.25. Platinums, however, continued to advance, with Impala adding 25 cents to close at R55. The group said it had resolved a dispute with workers, almost all of whom returned to work after a one-day strike.

Indian investors salute Colombo peace accord

INDIAN stock markets hailed the Sri Lanka peace accord yesterday, and share prices, which had earlier faltered on news of an assault on Prime Minister Rajiv Gandhi in Colombo, resumed their surge, writes R. C. Murthy in Bombay.

The sensitive 30-share index on the Bombay Stock Exchange, India's largest, touched 497.5, a rise of about 20 per cent from the low of 415.5 in late June.

The upsurge has been based on a series of political events starting with the successful installation of the ruling party candidate, Mr R. Venkatraman, as India's President. There had been fears of a split in the Congress I party following the expulsion of leading members.

Share markets have also welcomed the appointment of Mr N. D. Tiwari, till recently foreign minister, as finance minister. Mr Tiwari, who has charge of external trade, is considered a pragmatist who will give a push to exports.

The markets had touched a nadir in late June after the defeat of the ruling party at the polls in the northern state of Haryana, where the opposition won a two-thirds majority.

The all-India share price index of the Economic Times, India's main business newspaper, staged a rally from a low of 213.7 at the time to the 250 level on Monday and has since added another 6 points.

The future course of the markets, however, will depend on the Government's handling of immediate problems such as the alleged kickbacks in foreign defence deals and a near drought in many parts of the country.

Hong Kong peaks on foreign buying spree

A HEAVY inflow of money from overseas sent Hong Kong stock market turnover soaring to near record levels yesterday and lifted the Hang Seng index to a fresh high for the second consecutive session.

The value of shares traded jumped to a giddy HK$2.27bn, the second highest on record after the HK$3.31bn scored in February 1985, when a large stake in Hongkong Electric passed from Hongkong Land to Hutchison Whampoa.

The Hang Seng comprehensively breached the 3,400 barrier, ending 29.55 higher at 3,419.28 after reaching 3,447, helped by expectations of good half-year results. This gives a rise of almost 82 points, or 2.5 per cent, in two days.

Properties were again among the strongest stocks, with the property sub-index climbing 80.97 to 5,339.52. Hang Lung Development and Sun Hung Kai Properties each rose 50 cents to HK$16.50 and HK$19, respectively, while New World Development added 20 cents to HK$14, all new highs for the year.

Cheung Kong attracted heavy trading but ended unchanged at HK$12.40 after rising to HK$12.80. It was one of the victims of late profit-taking and position-squaring at the expiry of the July Hang Seng index futures contract.

Hutchison Whampoa was up 10 cents at HK$13.30, Hongkong Electric 5 cents to HK$9.35 and Jardine Matheson 60 cents to HK$20.50.

Banks were mixed, with Hang Seng rising 50 cents to HK$48, Hongkong steady at HK$9.85 and Bank of East Asia losing 75 cents

EUROPE

Industrials forge Zurich record

THE RECORD overnight close on Wall Street proved contagious, with many European bourses posting all-time highs on a mix of strong domestic news and solid foreign buying.

Zurich rose broadly to a peak in a scramble for industrial shares. The Crédit Suisse index closed up 5.3 at a record 579.2.

The market's star was engineering issue Georg Fischer which had temporarily to be suspended after bid prices leapt more than 10 per cent on rumours of a strong buy recommendation from a local bank. Its bearer stock ended SFr 140 higher at SFr 1,680, a 9 per cent gain.

Industrials sped up in Fischer's wake, with Maak rising SFr 200 to SFr 3,350, Alusuisse registered SFr 14 to SFr 283 and Landis & Gyr SFr 65 to SFr 1,790.

Swissair bearers climbed SFr 35 to SFr 1,440. The airline revealed first-half results which it said were satisfactory.

Chemicals joined the ascent, with Hoffmann-La Roche dividend stocks SFr 250 up at SFr 149,000 despite press reports of Dutch investigations into one of the company's sleeping drugs. Sandoz added SFr 200 to SFr 14,600. Ciba-Geigy was the odd one out with a SFr 15 drop to SFr 3,955.

Banks were mixed, the most notable move being a SFr 100 fall for Bank Leu to SFr 3,700. Insurers improved, with Zurich's SFr 135 rise to SFr 7,375 the biggest.

Frankfurt sustained its rally, with the market pleasantly surprised at better than feared results from Siemens and Dresdner Bank. The Commerzbank index, measured at mid-session, closed up 23.0 at 1,981.1.

Siemens said its profit had fallen 4 per cent in the first nine months, but its price jumped DM 20 to DM 699.00. Dresdner Bank, meanwhile, added DM 11.50 to DM 351 after reporting a 15.7 drop in first-half earnings.

Siemens pulled electricals higher, with AEG DM 4.10 up at DM 330 and PKI adding DM 10 to DM 885. Dresdner gave banks a similar tonic, and Deutsche rose DM 12.70 to DM 658.50 while Commerzbank picked up DM 4 to DM 294.50.

Buyers later turned to chemicals, sending BASF up a further DM 4.80 to DM 322.30, Bayer up DM 5.60 to DM 352.50 and Hoechst soaring DM 9.80 to DM 336.80.

Cars, however, missed a gear with the exception of BMW, which picked up DM 14 to DM 724.50.

Amsterdam inched to a second consecutive record as foreign buyers returned in force. The ANP-CBS general index – weighted heavily in favour of internationally-traded blue chips – edged up 2.5 to a peak of 320.7, just ahead of the previous record of 320.6 set on July 20.

Among internationals, Philips recovered 50 cents of Wednesday's fall to Fl 53.80. Akzo climbed Fl 2.20 to Fl 168.60 and Royal Dutch 70 cents to Fl 288.80. KLM was Fl 1 firmer at Fl 55.50.

Trading was suspended in publishers Kluwer, Elsevier and Wolters Samsom at Wednesday's closing prices in advance of the close of Wolters' bid for Kluwer.

Brussels saw its record run grind to a halt in persistent profit-taking. The stock exchange cash index slipped 46.1 to 5,335.82.

Réserve, the share of Société Générale de Belgique, drifted BFr 50 off to BFr 4,070 in heavy trade. The group said it had received no indication that Anglo-French financier Mr James Goldsmith was buying up its shares.

Holdings and chemicals, recent market leaders, suffered most from the sell-off. GBL lost BFr 180 to BFr 4,200

Stockholm chalked up a second successive record in strong foreign and institutional buying. The Veckans Affarer all-share index closed up 1.4 at 1,078.4.

Pharmacia featured among the leaders with a SKr 4 rise to SKr 219 while Sca added SKr 2 to SKr 365. But Volvo fell SKr 3 to SKr 371 after Wednesday's big rise, and Ericsson fell SKr 1 to SKr 254, both on profit-taking.

Oslo also hit a second peak in as many days. The all-share index gained 3.33 to 360.06 in hectic trade dominated by foreign buyers.

Industrials replaced oils as the driving force, with Norsk Data B shares NKr 17.50 higher at NKr 252 and its A shares NKr 14 up at NKr 245. Hafslund added NKr 12 to NKr 451.

Oils steadied, with Saga Petroleum and Norsk Hydro unchanged at NKr 125.50 and NKr 240 apiece.

Madrid reached a fourth successive all-time high, with the index 3.25 up at 284.36. After the close, the bourse said it was raising the minimum deposit on margin trading to 50 per cent from 35 per cent – a move which investors believe could induce heavy selling.

Banks led the charge while some chemicals eased on profit-taking.

Milan closed mixed and well off the day's highs in a lacklustre session.

Blue-chip industrials firmed slightly, and cements were buoyed on expectations that the Government would shortly accelerate public building programmes. Italcementi moved up L300 to L110,300.

Paris eased in light trade in advance of the summer holidays. Oils, banks and construction issues led the fall.

LONDON

UNDERLYING worries resurfaced in London yesterday, and an early gain in equities was reversed when a dip in sterling sent government bonds sharply downwards.

Equities opened firmer on the back of Wall Street's overnight strength but then succumbed to concern over domestic interest rates and trading settlement problems.

The FT-SE 100 index fell 12.6 to 2,370.5, and the FT Ordinary index was 12.1 lower at 1,862.3.

Government bonds extended early losses when sterling slipped, and long-dated issues closed 1⅛ lower. Details, Page 36

ASIA

Rally continues as electronics issues flourish

TOKYO

BUSY TRADE in high-technology issues helped Tokyo shares extend their recent recovery despite weakness among large-capital and financial issues, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei average added 83.35 to 24,510.37 on a volume of 932.61m shares, down from 1,084.50m on Wednesday. Declines outpaced advances by 478 to 433, with 113 issues unchanged.

Trust banks, life insurance companies and other institutional investors stepped up buying of Matsushita Electric Industrial, Sony and other high-tech consumer electronics issues on the expectation that they would drive up the market for the time being.

High-tech issues accounted for eight of the 10 most active stocks. Hitachi headed the list with 49.77m shares traded and rose Y50 to Y1,250

Matsushita Electric Industrial, third-busiest with 33.93m shares, spurted Y80 to a record Y2,600, Fujitsu, second-busiest with 42.58m shares, Y100 to Y1,270, Ricoh, with 21.07m shares, Y70 to Y1,230, Nippon Kogaky, with 13.72m shares, Y53 to Y992, NEC Corp., with 13.31m shares, Y190 to Y2,160 and Sony Y230 to Y4,830.

Brokers were predominantly of the view that high-techs would continue rising in the long term due to the dollar's recent stability at around Y150, the small likelihood of a sharp rise in crude oil prices and also the active stock investments by investment and fund trusts.

Issues sensitive to commodity market movements were also favoured as non-ferrous metal prices rose. Dowa Mining gained Y24 to Y614, Sumitomo Metal Mining Y50 to Y1,690 and Teikoku Oil Y70 to Y1,080.

By contrast, large-capitals and domestic demand-linked stocks slipped broadly on small-lot selling. Nippon Steel, with 16.00m shares traded, weakened Y9 to Y316, Kawasaki Steel fell Y7 to Y243, Ishikawajima-Harima Heavy Industries Y10 to Y575. But Tokyo Steel Mfg shot up Y90 to Y1,970 on expectations of a strong recovery in earnings.

Bonds moved narrowly due to a lack of fresh market-moving incentives.

The yield on the 5.1 per cent government bond due in June 1996 closed at 4.790 per cent in block trading on the Tokyo Stock Exchange, after falling to 4.755 per cent at one stage from the previous day's 4.830 per cent finish. The yield later held steady at 4.790 per cent in inter-dealer trading.

AUSTRALIA

FIRMER gold and commodity prices pushed Sydney sharply higher to another peak, with resources and gold shares leading the way but industrial situation stocks joining in.

The All Ordinaries index climbed 22.3 to 2,022.4, and the gold index shot up 60.1 to 3,723.4 in very heavy turnover worth A$499m.

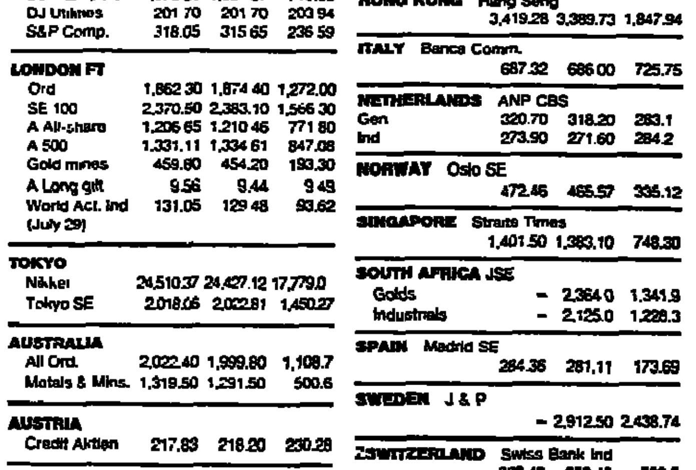
Among resources, MIM jumped 30 cents, or 10 per cent, to A$3.35 on 9m shares traded, and Western Mining added 16 cents to A$8.82 on 3m shares.

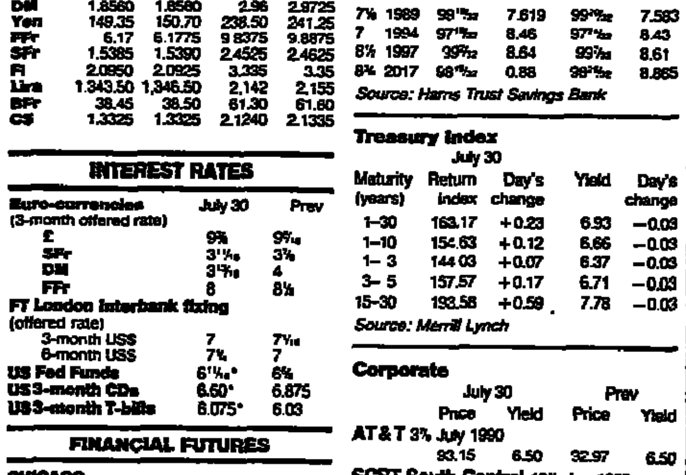
SINGAPORE

SELECTIVE last-minute buying enlivened a nervous and erratic session to take the Straits Times industrial index up 18.40 to a record 1,401.50, beating the previous high of 1,398.04 set on July 20.

Turnover, however, was a moderate 36.4m shares from Wednesday's 46.9m, and buying centred on index-based issues, with profit-taking taking its toll elsewhere.

KEY MARKET MONITORS





STOCK MARKET INDICES

	July 30	Prev	Year ago
NEW YORK			
DJ Industrials	2,567.44	2,539.54	1,779.0
DJ Transport	1,076.26	1,067.57	718.88
DJ Utilities	201.70	201.70	203.94
S&P Comp.	318.05	315.65	236.59
LONDON FT			
Ord	1,862.30	1,874.40	1,272.00
SE 100	2,370.50	2,383.10	1,566.30
A All-share	1,206.65	1,210.46	771.80
A 500	1,331.11	1,334.61	847.08
Gold mines	459.80	454.20	193.30
A Long gilt	9.56	9.44	9.49
World Act. Ind (July 29)	131.05	129.48	93.62
TOKYO			
Nikkei	24,510.37	24,427.12	17,779.0
Tokyo SE	2,018.06	2,022.81	1,450.27
AUSTRALIA			
All Ord.	2,022.40	1,999.80	1,108.7
Metals & Mins.	1,319.50	1,291.50	500.6
AUSTRIA			
Credit Aktien	217.83	218.20	230.28
BELGIAN SE			
	5,335.80	5,374.30	3,623.45
CANADA			
Toronto			
Met & Mins.	3,350.90	3,292.7	1,955.0
Composite	4,023.60	4,000.8	2,931.1
Montreal			
Portfolio	2,021.12	2,013.22	1,463.10
DENMARK SE			
SE	(–)	205.80	202.50
FRANCE			
CAC Gen	416.80	416.60	380.4
Ind. Tendance	107.10	107.60	90.51
WEST GERMANY			
FAZ-Aktien	652.68	646.80	611.18
Commerzbank	1,981.10	1,958.10	1,842.0
HONG KONG Hang Seng	3,419.28	3,389.73	1,847.94
ITALY Banca Comm.	687.32	686.00	725.75
NETHERLANDS ANP CBS			
Gen	320.70	318.20	283.1
Ind	273.90	271.60	284.2
NORWAY Oslo SE	472.46	465.57	335.12
SINGAPORE Straits Times	1,401.50	1,383.10	748.30
SOUTH AFRICA JSE			
Golds	–	2,364.0	1,341.9
Industrials	–	2,125.0	1,228.3
SPAIN Madrid SE	284.36	281.11	173.69
SWEDEN J & P	–	2,912.50	2,438.74
SWITZERLAND Swiss Bank Ind	663.40	659.40	508.5

COMMODITIES (London)

	July 30	Prev
Silver (spot fixing)	501.10p	501.35p
Copper (cash)	£1,096.50	£1,094.00
Coffee (Nov.)	£1,256.00	£1,237.00
Oil (Brent Blend)	$20.175	$19.95

GOLD ($/oz)

	July 30	Prev
London	$459.25	$458.25
Zürich	$457.05	$457.95
Paris (fixing)	$455.91	$457.03
Luxembourg	$457.30	$459.50
New York (December)	$473.30	$468.60

CURRENCIES (London)

	US DOLLAR July 30	US DOLLAR Previous	STERLING July 30	STERLING Previous
$	–	–	1.5945	1.6005
DM	1.8560	1.8580	2.96	2.9725
Yen	149.35	150.70	238.50	241.25
FFr	6.17	6.1775	9.8375	9.8875
SFr	1.5385	1.5390	2.4525	2.4625
Fl	2.0950	2.0925	3.335	3.35
Lira	1,343.50	1,346.50	2,142	2,155
BFr	38.45	38.50	61.30	61.60
C$	1.3325	1.3325	2.1240	2.1335

INTEREST RATES

	July 30	Prev
Euro-currencies (3-month offered rate)		
£	9⅝	9 9/16
SFr	3 11/16	3⅞
DM	3 15/16	4
FFr	8	8⅛
FT London Interbank fixing (offered rate)		
3-month US$	7	7 1/16
6-month US$	7⅛	7
US Fed Funds	6 11/16*	6⅝
US 3-month CDs	6.60*	6.875
US 3-month T-bills	6.075*	6.03

FINANCIAL FUTURES

	Latest	High	Low	Prev
CHICAGO				
US Treasury Bonds (CBT) 8% 32nds of 100%				
July 30 (Sept)	89–11	90–05	89–05	89–21
US Treasury Bills (IMM) $1m points of 100%				
(Sept)	93.87	93.88	93.79	93.84
Certificates of Deposit (IMM) $1m points of 100%				
(Sept)	—	—	—	—
LONDON				
Three-month Eurodollar $1m points of 100%				
(Sept)	92.69	92.73	92.67	92.68
20-year National Gilt £50,000 32nds of 100%				
(Sept)	118-26	120-00	118-15	120-02

US BONDS

Treasury

	July 30 Price	July 30 Yield	Prev Price	Prev Yield
7⅞ 1989	98 [illegible]	7.619	99 [illegible]	7.583
7 1994	97 [illegible]	8.46	97 [illegible]	8.43
8½ 1997	99 [illegible]	8.64	99 [illegible]	8.61
8¾ 2017	98 [illegible]	0.88	98 [illegible]	8.865

Source: Harris Trust Savings Bank

Treasury Index

Maturity (years)	Return index July 30	Day's change	Yield	Day's change
1–30	163.17	+0.23	6.93	−0.03
1–10	154.63	+0.12	6.66	−0.03
1–3	144.03	+0.07	6.37	−0.03
3–5	157.57	+0.17	6.71	−0.03
15–30	193.58	+0.59	7.78	−0.03

Source: Merrill Lynch

Corporate

	July 30 Price	July 30 Yield	Prev Price	Prev Yield
AT & T 3⅞ July 1990	93.15	6.50	92.97	6.50
SCBT South Central 10⅜ Jan 1993	102.0	10.39	102.0	10.40
Phibro Sal 8 April 1996	90.72	9.60	91.20	9.50
TRW 8⅞ March 1996	95.37	9.55	95.91	9.45
Arco 9⅞ March 2016	98.81	10.00	99.27	9.95
General Motors 8⅛ April 2016	82.37	10.00	82.76	9.95
Citicorp 9⅞ March 2016	89.85	10.50	90.24	10.45

Source: Salomon Brothers

* Latest available figures

NYSE COMPOSITE CLOSING PRICES

Continued from Page 38

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Chng
42½	32	SecPac1.80		4.4	27	2538	41⅛	40¾	41	
80	65	SequaA15e		.2	15	237	79½	78	79⅛	+1¼
82	66¼	SequaB12e		.1	14	73	81	80	81	+1
107	92	Sequa pf 5		4.8		7	104	104	104	+2½
31⅞	19⅛	SvcCp s .40		1.4	23	427	28⅝	27⅝	27¾	−½
20⅝	9⅞	SvcRes			22	58	12⅝	12¼	12½	+½
32	21	Svomstn1.15e		3.9	24	386	29½	29	29⅛	−⅛
28	17½	Shaklee .72		3.0	5	1392	24½	23½	24¼	+⅝
30¾	15¼	Shawin .60		2.5	14	436	23⅞	23⅝	23¾	+⅛
34⅛	26¾	ShLeh n.19e		.7		782	27⅞	27½	27½	−⅛
21¾	14¼	Shelby .24		1.3	20	86	18⅜	18	18⅛	−⅛
98⅛	46¾	ShellT 3.79e		4.0	19	1813	94⅛	93¾	93⅞	−¼
38½	22¾	Shrwin .58		1.7	14	1790	33¼	32¾	33⅛	−¼
9⅛	6⅛	Shoetwn			14	258	8⅛	7¾	8	
16⅞	7⅝	Shwbt s .28		2.1	26	138	13⅝	13⅜	13½	
29	21	SierPad.76		7.4	13	86	23¾	23¼	23¾	+⅜
18¼	10⅝	SgnlAps .12		1.0	5	15	12⅝	12⅝	12⅝	−⅛
38	29	Signet 1.32		4.0	30	77	33⅝	33⅜	33⅝	+⅛
54	37¼	Singer .40b		.9	24	1018	46½	45	45¾	−1¼

U U U

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Chng
15½	11¼	Tyler	.40	2.7	28	375	15	14⅝	15	+⅛
44½	19⅛	UCCEL			37	242	41½	40⅝	41½	+¾
27⅞	17¼	UDC	2.20	12.	7	243	19½	18¾	19	
32	24	UGI	2.04	7.3	13	65	28⅛	27⅞	27⅞	−⅛
11¼	8¼	UNCInc			15	146	10¼	10⅛	10¼	
31⅝	20⅝	UNUM n.30e		1.3		2896	23½	23	23⅝	+⅜
21⅞	14⅝	URS			18	53	18⅝	18⅜	18⅝	−⅛
48¾	36¼	USFG	2.48	6.4	m	4254	38¼	38⅝	38⅞	+¼
62	52⅛	USFG pf4.10		7.8		295	52¼	52⅛	52¼	+⅛
46½	31	USG	1.12	2.7	9	3223	41⅜	40½	41	+½
29¼	20½	USLICO	.88	3.5	9	320	25¼	24¾	25	+⅛
32⅞	11¾	USPCI s			43	211	29⅞	29½	29¾	+½
29⅝	19⅞	UST s	1.20	4.3	14	783	28⅛	27⅞	28	
38⅞	14½	USX	1.20	3.1		9408	38¾	38	38⅝	+1¼
48½	23⅝	USX pr3.98e		8.2		237	u48⅝	48⅛	48¼	
109	86¾	USX pf10.75		10.		103	103	102½	102½	+½
61	53	USX pr 3.50		5.7		278	u61¾	60¾	61½	+½

X Y Z

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Chng
81¼	51	Xerox	3	4.1	16	6198	74¼	73¼	73¼	−1¼
58¼	54¼	Xerox pf5.45		9.8		55	55½	55⅜	55⅜	
28⅞	21½	XTRA	.64	2.3	20	153	28⅝	28⅛	28¼	+⅛
26	25⅝	XTRA pf1.94		7.3		151	u26½	26¼	26½	+½
27⅞	15	Yorkin			13	202	27	26⅝	26¾	−⅛
7¼	2¼	Zapata				588	6¼	6⅛	6⅛	−⅛
36¼	20¾	Zayre	.40	1.5	18	3251	30⅛	29⅝	29¾	+⅛
14¾	9¾	Zemex	.40	3.0	9	17	13⅝	13⅛	13⅜	
29¾	18⅞	ZenithE			120	4374	u30¼	29	30	+⅞
13½	8	ZenLab				512	10	9⅝	9¾	−¼
19½	12⅝	Zero	.36	1.9	19	451	18¾	17⅞	18½	+⅝
29⅝	16⅝	Zurnin s			19	179	29	28	28⅝	−¼
10⅝	8¾	Zweig n.65e		6.5		858	10	9⅞	10	+⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but *not* the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low *range* begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in-full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]					

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